



Guide on Tax System in Albania – 2005

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INTRODUCTION

Guide on Tax System 2005 is the second edition of the same publication designed by the Institute for Development and Research Alternatives (IDRA). The publication of this guide was supported by USAID in the frame of EDEM Project (Enterprise Development and Export Market Services). It is conceived as a practical tool on tax and tariffs in Albania to serve business community in our country. It clearly reflects the most recent changes in Albanian tax legislation approved with the new Fiscal Package 2005 which came into effect on January 15th of this year.

Besides the general provisions with regard to taxation procedures in our country, types of taxes and tariffs (national or local, direct or indirect, for businesses or individuals), the Guide on Tax System 2005 also reflects the changes proposed by the new fiscal package which consisted in: *a) clarification of the procedures for taxpayers' registration and deregistration, b) unification of tax appeal levels, c) reduction of profit tax level and interests for delay payments, d) taxation on personal incomes gained from the transfer of ownership from agricultural land and changes to the tax level on personal incomes from employment, e) dividend taxation, f) VAT on house initial sale, g) reduction of minimum value allowed for cash transactions.*

Intending to provide all the necessary information to business community, such a guide also gives valuable information with regard to the documents required by tax authorities in order to better calculate the respective levels of taxes and tariffs, procedures for taxpayers' registration and deregistration with trade register and tax offices, procedures for termination and/or changes in the type of commercial companies. Part of the guide is also legal bases used for its design. The latter will help business community to better understand where to look for more detailed information about specific taxes and tariffs.

In order to reduce barriers to complete and accurate information, businesses and all interested people may find it published at a separate webpage www.albic.net by ALBIC (Albanian Business Information Center) managed by IDRA.

TAXES AND TARIFFS

1. GENERAL REVIEW

The tax and tariff system in the Republic of Albania consists of a package of laws, guidelines, regulations, tax agreements with other countries, which reflect all kinds of taxes applied in Albania, their levels and the procedures to set, change and remove taxes, tax estimation and collection procedures, as well as the forms and methods of tax control.

1.1 Tax legislation

Tax legislation is composed of national and local tax laws.

The law No. 8560, dated 22.12.1999 “*On tax procedures in the Republic of Albania*”, amended and changed with the Fiscal Package 2005, defines the general rules for:

- ♦ Taxpayers’ registration;
- ♦ Estimation of tax obligations;
- ♦ Tax collection through ordinary and extraordinary procedures;
- ♦ General offences and fines;
- ♦ Taxpayers’ control;
- ♦ Taxpayers’ or third parties’ obligation to provide information.

The other tax laws are specific ones describing special types of national or local taxes and tariffs.

- Amended Law No. 8438, of 28.12.1998 “*On income tax*”¹, which covers incomes taxes of individuals, companies and traders;
- Amended Law No. 7928, of 27.4.1995 “*On value added tax*”²
- Amended Law No. 8976, of 12.12.2002 “*On excises*”³.
- Law No. 8977, of 12.12.2002 “*On the tax system in the Republic of Albania*”
- Law No. 8978, of 12.12.2002 “*On local tax on small business*”
- Law No.8982, dated 12.12.2002 “*On local and taxes tariffs*”⁴
- Law No. 8701, of 01.12.2000 “*On games of fortune, casinos and hippodromes*”.

¹ Changed in the 2005 Fiscal Package, with the law No.9326, dates 06.12.2004 “On some amendments and changes in the law No. 8438”, dated 28.12.1998 “On income tax”

² Changed in the 2005 Fiscal Package, with the law No.9332 dated 06.12.2004 “On a change in the law No.7928, dated 27.04.1995 “On value added tax”,

³ Changed in the 2005 Fiscal Package, with the law No.9328 dated 06.12.2004 “On some amendments and changes in the law No.8976, dated 12.12.2002 “On excise tax” amended with the law No.9041, dated 03.2003 and with the law no. 9163, dated 18.12.2003

⁴ Changed in the 2005 Fiscal Package, with the law No. 9325 dated 06.12.2004 “On some changes in the law No. 8982, dated 12.12.2002 “On the local tax system”

1.2. Definitions

According to the Albanian legislation:

Tariff is a payment to the state budget of an obligatory and irrevocable nature, which also includes the administrative fines as well as interests for overdue payments as defined by law.

In other words tariffs are obligatory payments that are made by different taxpayers, and are used to cover public expenses, in order for state to accomplish its functions. Taxes do not derive directly from the state ownership or its ownership rights, but from the wealth and economic power of private individuals.

Two basic characteristics of the tariffs are:

1. Tariffs lack of the return condition and directly compensation. This means that in the case of tariffs one to one principle is absent which does not happen with other payments for example taxes
2. Tariffs are considered as incomes without definition. In the most general cases, destinations of usage of tariffs it is not specified.

Tariffs as the main and most relevant instrument of public incomes collection are divided in several categories. According to the Albanian legislation, taking into consideration the moment of generation and spending of incomes, tariffs are divided in two categories – direct tariffs and indirect tariffs. So far, based on such criteria, tariffs which are paid at the moment of the generation of incomes are considered as direct ones, while those which are paid at the moment of spending these incomes are called indirect tariffs.

Tax is a mandatory contribution to be paid by every person who directly benefits from a public service.

So, taxes represent a compensation for special public services provided to different individuals. These services are directly related to the needs of one or more citizens.

Some special characteristics of taxes are as follows:

1. Taxes are usually the source of monetary incomes of the local governments, communes, etc.
2. Public services for which taxes are paid, take into consideration also the voluntarily element, which is never present in the tariffs applications.
3. From the financial point of view, the role of taxes is less sensitive than the one of the tariffs. So taxes play an important role on increasing local government's budget.

1.3. Summary

The following table provides a detailed description of taxes and tariffs in the Republic of Albania.

National Taxes and Tariffs		Local Taxes and Tariffs	
Tariffs		Tariffs	
<i>Indirect tariffs</i> <ol style="list-style-type: none"> 1. Value added tariff 2. Excises <i>Direct tariffs</i> <ol style="list-style-type: none"> 1. Tariff on companies' profits 2. Tariff on individuals' personal incomes. 3. Simplified tariff on profits of businesses not registered with the VAT. 4. Tariff on fortune games 			
Taxes		Taxes	
<ol style="list-style-type: none"> 1. Port taxes 2. Tax on consular services 3. Tax on circulation of foreign vehicles 4. Import tax on used motor vehicles 5. Tax on equipment with driving license 6. Tax on utilization of radio-TV equipment 7. Tax on using fixed-line telephony 8. Tax on activities and services from the judicial administration, Ministry of Justice, Attorney's Office, Notary Office and Real Estate Registration Office. 9. Higher Education enrolment tax 10. Tax on radio communication services 11. Annual tax on radio-TV broadcasting services 12. Tax on crossing the national border of the Republic of Albania by plane 13. Tax on equipment with navigating passports 14. Tax on exercise of fishing activity 15. Act and stamp tax 16. Tax on the planes' flying over the territory of the Republic of Albania 17. Tax on mining rent 18. Tax on ownership right transfer for movable property (cars) 19. Tax on road circulation 20. Tax on carbon for gas. 21. Tax on plastic packaging of liquids 22. Registration tax on fortune games, casinos and sport contests taking place at hippodromes 		<ol style="list-style-type: none"> 1. Tax on real estate <ul style="list-style-type: none"> - Buildings - Farming land 2. Local tax on small business. 3. Hotel lodging tax 4. Tax on new buildings' impact on infrastructure 5. Tax on ownership right transfer for real estate 6. Tax on annual vehicle registration 7. Tax on occupation of public spaces 8. Tax on board 9. Temporary taxes 	

Law No.8982, of 12.12.2002 “On local tax system” changed also with the 2005 Fiscal Package provides the right of the local governments to impose, besides local taxes, also tariffs on various services, which are paid by the community of the local entity to the benefit of the municipality, commune or region.

As we will see in the coming chapters, some national taxes have been removed with the approval of the New Fiscal Package 2005: a) annual tax for vehicles tonnage per axis b) Tax on planes’ take off, landing and stay at the airport are excluded from the list of national taxes.

According to the 2005 Fiscal Package, the tax for transferring immovable property rights will be active from January 1st, 2006.

1.4. General procedures on the tax administration

1.4.1. Procedures for imposing, changing and removing taxes

1. Imposing, changing or removing national and local tariffs or taxes are done by law.
2. Imposing, changing or removing local taxes is done upon decision of local government for as long as tax legislation allows.

1.4.2. Taxpayer’s representative

1. Taxpayer’s Representative is person chosen by the taxpayer to represent him in tax matters. The choice is made in accordance with Civil Code provisions.
2. Duly chosen taxpayer’s representatives bear all the rights and obligations of the taxpayer, with the exception of cases otherwise provided by law. Taxpayers living outside the Republic of Albania must appoint a tax representative in Albania.
3. The fact that a representative makes a mistake in tax declaration and payment does not relieve the taxpayer from the responsibility for the error committed.

1.4.3. Tax agents

1. A tax agent is a person, not hired by tax offices, who, by this or any other tax system laws, is responsible for calculating, withholding taxes at the source and transferring the payment of taxes and tariffs onto the budget.
2. In compliance with his rights and obligations, the tax agent enjoys the same status as the taxpayer, unless otherwise provided by law.
3. The tax agent is obliged:
 - a. To calculate, withhold at the source and transfer onto the budget the sum of taxes and tariffs in due time and in the proper manner;
 - b. To keep records of incomes paid to taxpayers, taxes withheld and transferred onto the budget, including separate records for each and every taxpayer;
 - c. To provide tax offices with the necessary documentation to check the correctness of calculations made, withholding at the source and payment of taxes and tariffs;
 - d. To fulfill all other obligations defined by tax laws;
 - e. For failing to fulfill or unsatisfactorily fulfilling their obligations foreseen in tax laws, tax agents are held responsible in compliance with the procedures established by this law and other legal acts.

1.4.4. Tax responsibility (obligation to pay taxes)

1. A person's tax responsibility begins when the person is involved in an activity, or gains wealth, which contains taxable elements according to tax legislation provisions.
2. Tax responsibility ceases when a person is no longer involved with an activity or no longer owns wealth, which contains taxable elements and when he has paid all, taxes, tariffs, fines and interests owed.

1.4.5. Tax estimation

1. Tax estimation is the calculation that is done by the tax administration to find out the amount of tax obligation and the administrative fines and interests for overdue payments that a taxpayer is obliged to pay. The tax estimation is an obligation towards the state, payable to the budget, which is directly announced to the taxpayer in writing or via postal service.
2. Tax estimation for every obligation of the taxpayer is made according to tax laws in effect and on the basis of the following information:
 - a. Information contained in the taxpayers' tax statements; and,
 - b. Control materials and any other information recognized by tax administration.

1.4.6. Pre-writing of the right to determine tax obligation

2. The right of tax organs to check and correct the estimation of a tax obligation is pre-written 5 years after the obligation is created (tax payment or declaration deadline, regardless of the latest moment in time).

1.4.7. Alternative methods to determine tax obligation

1. The tax organs may redefine transactions to better reflect the real economic situation and they may not take into account the form of transaction in order to correctly define its content. The redefinition of transactions is done:
 - a. When the taxpayer, for a certain tax period, has not declared his own tax obligations, as required by special tax laws;
 - b. When, in the course of the control conducted by the tax organs, the documentation required to determine tax obligation is either missing or presents serious incompleteness, which does not allow for a real, transparent picture of taxpayers' situation and the calculation of their tax obligations.
 - c. When taxpayers distort the sales prices.
 - d. When the taxpayer performs cash sale-purchase transactions, which exceed the sum of 500,000 lek for the year 2004 and 300,000 lek for the years to come.

1.4.8 Receipts and payments For every buy-sell transaction that amounts over 1 million Lek (ALL), taxpayers are obliged to make it through banks⁵. These transactions cannot be made in cash (hand to hand).

1.4.9. Interests for overdue payments, the return of overpaid tariffs and reimbursement of VAT.

1. If a taxpayer does not pay his tax obligation within the timeframe specified by the tax legislation, he is obliged to pay an interest fee for overdue payment amount. The interest fee

⁵ The amount of 1.000.000 Leks is defined in the law No. 9333 dated 06.12.2004 "On some amendments and changes in the law "On tax procedures in the Republic of Albania". In the old law this amount was 300.000 leks.

application is calculated from the day of the deadline until the day when the payment is made. All the subjects, which are subject to the Simplified Income Tax, are excluded from the payment of interest fees on overdue payments.

2. The interest rate for the overdue payments is 2% for the first month, and 1% for the coming months.
3. Interest fees for every overdue payment are calculated and collected as any other tax or tariff.
4. Interest fees on overdue payments are automatically payable, and cannot be amnestied or diminished from any authority.

The interest rates for overdue payments have been changed in the 2005 Fiscal Package. These changes are made according to the law No. 9333, Date 06.12.2004 "For some changes and amendments in the law Nr. 8560, Date 22.12.1999 "On Tax procedures in the Republic of Albania. The interest rates for these overdue payments were 2% for the first month and 1.3 % for the coming ones. On the other hand the 2005 Fiscal Package does not state any minimal interest rate. With the old law this minimal rate was 5%.

1. When the paid sum of a tariff is more than the sum specified by the law, the taxpayer may ask its reimbursement. Tax administration is obliged to notify the taxpayer on the reimbursement of the sum or not within 60 days from the day the taxpayer has made a written request. Within this timeline must also take place the reimbursement. Taxpayers may also ask reimbursement of the VAT if they fulfill the legal conditions specified by the law "On VAT", according to the procedures and deadlines specified in the same law.
2. The return of overpaid VAT and the reimbursement is done through passing the overpaid amount in the account of:
 - a) Payments for other tax obligations of the taxpayers;
 - b) Payments of ulterior tax obligations only with the approval of the taxpayer.;
 - c) The taxpayer.
3. If the reimbursement sum it is not returned in the one of the forms listed above within 60 days for the day the taxpayer has made a written request, than the tax administration is obliged to pay an interest fee calculated as stated above. .

As it is explained above, with coming into act of the Fiscal Package 2005, this article of the law, on "Tax Procedures in the Republic of Albania", includes besides the overpaid tariffs also the reimbursement of VAT. For more the deadline for the overpaid tariffs and reimbursement of VAT has changed from 30 days to 60 days.

1.4.10. Ordinary procedures for forceful tax collection

1. If a taxpayer fails to pay whatever amount of his tax obligation, the tax administration, through a written order, requests each bank holding from this taxpayer's account an amount, which value is in between:
 1. the amount required to be held;
 2. total amount of taxpayer bank account.

1.4.11. Extraordinary procedures to collect obligations forcefully.

1. For all taxpayers, who fail to pay their tax obligations even after the adoption of ordinary measures to collect tax obligations, tax organs start taking extraordinary measures, as follows:

- a. Closure of taxpayer's economic activity until the latter has liquidated the unpaid obligation, but no later than 30 calendar days from the time of the closure.
- b. Sequestration of property in cases when the taxpayer continues not paying his tax obligation even after 30 days from the closure of his activity have elapsed. Sequestration of property follows this order:
 - Movable property;
 - Immovable property.
- c. If the above provisions are not sufficient for the collection of tax obligations, the head of tax department takes the following steps:
 - Files a statement with the Attorney's Office, on the basis of article 181 of the Penal Code
 - Asks relevant organs to block any transfer of taxpayer's property;
 - In all the cases, as an interested creditor, the tax organ may require the initiation of bankruptcy procedures, on the basis of law no.8901, of 23.5.2002 "On bankruptcy".

1.4.12. Prediction of unpaid obligations

1. The prediction deadline for an unpaid obligation is 6 years from the date when the tax estimation was officially announced to the taxpayer.

1.4.13. Appealing procedures

1. Every taxpayer has the right to appeal against:
 - a) evaluation procedures on which taxes and tariffs, interest rates and fines to be paid by taxpayers are calculated;
 - b) every decision of tax authorities on any complains of the taxpayers with regard to reimbursement of taxes and tax exemption
 - c) every legal act of tax authorities on the way taxes and tariffs are calculated, legal bases of taxes calculation as well as on every action of tax authorities;
 - d) every specific executive act with regard to a separate taxpayer.
2. Appeals should be presented in a written form according to the format defined in the respective instruction of the Minister of Finances and according to law "On tax procedures in the Republic of Albania"
3. Taxpayers should present their appeals at the lower level of the appealing system within 30 days from the date they have been officially notified about the fact, object of the appeal.
4. *The hierarchy for the appealing on tariffs and taxes, from the lowest level to the highest is::*
 - a) *Chairman of the Commune/Municipality for local taxes and tariffs*
 - b) *GDT for national tariffs and taxes and also for other obligations administrated by GDT*
 - c) *Tax Appealing Commission for all kinds of obligations*
 - d) *Courts*
5. An appeal cannot be taken into consideration in a higher scale of appealing before passing through the lower scales, except the cases predicted in the law "On tax procedures"
6. Taxpayer has the right to give explanations on different issues related to tax appeal. Tax appealing cannot be withdrawn if new facts that prove that the total amount of obligations is not enough. In any other case the taxpayer has the right to withdraw the tax appeal.
7. If the respective tax authorities do not deliver to the taxpayer the results of tax appeal verification within 30 days, the latter has the right to complain to the next scale of the appealing hierarchy.

The Fiscal Package 2005 and more concretely the law Nr. 9333, dated 06.12.2004 “On some amendments and changes in the law no.8560, dated 22.12.1999 “On tax procedures in the Republic of Albania”, provides for some changes in the way of expression of all the above mentioned paragraphs. This law also provides some technical changes in the fourth paragraph. So far, the taxpayers would direct to the GDT only for the appeals regarding to VAT, now they can direct to this authority for every national tax and tariff administrated by the GTD. On the other hand, taxpayers may also direct their appeals on very tax and tariff, VAT included, to the Tax Appealing Commission. The old law provided Tax Appealing Commission as not responsible for the appeals related to VAT.

1.4.14. Taxpayers’ right for information

1. When a legal court case starts against a taxpayer, he is entitled to examine all relevant documentation, except cases when it is important to protect the secrecy of public or private interests, as in the case of a third party’s business secrecy or that of informer’s identity. Refusal of examination requests requires a special executive decision from the General Tax Director.

1.4.15 Record keeping and declaration

1. Taxpayers are obliged to present periodical tax statements according the deadlines and the ways specified in the tax laws.
2. Tax authorities distribute, with no condition, to taxpayers once in 6 months the application form of the tax declaration. The fact that the taxpayer or his representative has not taken the application form does not mean that they are excluded from the obligation of presenting their tax declaration. Every one who has not taken the application form must request them in the tax authorities. The way and the time when this application forms are distributed are decided in the Instructions of the Minister of Finances. In the 2005 Fiscal Package it is defined the periodically distribution of tariff declarations. For more the law “On tax procedures in the Republic of Albania” changed with the 2005 Fiscal Package, does not exclude any kind of tax with regard to the timeline to present filled declarations forms, as it was the case of VAT in the old law.

1.4.16. Confirmation of the taxpayer status

1. On taxpayers’ request, tax authorities are obliged to give a certificate on the fiscal status of the taxpayers, not later than 3 days from the date of the request.

Law No. 9333, dated 06.12.2004 “On some changes and amendments in the law No.8560 dated 22.12.1999 “On tax procedures in the Republic of Albania” defines that the tax authorities can give a certification only for the tax payments of the taxpayer and not any confirmation on his taxable incomes, profit and/or capital.

DIRECT TAXES ON BUSINESS

2. GENERAL REVIEW

There are three main direct taxes paid by registered taxpayers in the Republic of Albania.

Tax on profit, which is paid by taxpayers who exceed the VAT registration threshold.

Simplified tax on profit, which is paid by registered taxpayers having an annual circulation that does not exceed the VAT registration threshold.

Local tax on small business, which is paid by registered taxpayers having an annual circulation that does not exceed the VAT registration threshold.

The VAT registration threshold is 8 million lek per calendar year.

2.1. Principle of residence

The definition of tax residence criteria for individuals, legal entities and physical persons is closely related with the place where they pay their taxes.

Under the law, taxable Albanian residents are taxed in Albania on all incomes realized on a world level (incomes deriving inside or outside Albania). Non-residents are taxed in Albania only on incomes deriving from within the Republic of Albania.

In particular, for persons who are residents in countries with which Albania has signed Agreements (Treaties) to eliminate double taxes and when these agreements have entered in force, the provisions of these agreements will be adopted.

1. The individual is regarded as an Albanian resident for tax purposes, when he has a permanent place of residence, when he has his own family, i.e. when he has vital and economic interests vested in Albania (place of vital interests), although he may work outside the country for indefinite periods of time, or have foreign citizenship.
2. For tax purposes, an Albanian resident is also considered an individual who stays in Albania for a tax year, whether for the entire period or a part of it totaling above 183 days, regardless of citizenship or place of vital interests. The calculation of duration of stay in Albania includes the days of his physical presence, i.e. not only workdays, but also days of arrival, departure and holidays.

To conclude, a taxable Albanian resident is considered every individual (regardless of nationality or citizenship), who meets one or both of the above-mentioned requirements.

A legal entity is considered a taxable Albanian resident if:

- Its headquarters (head office) are in the Republic of Albania; and/or
- Its place of business management is in the Republic of Albania.

A person is considered an Albanian taxable resident when he runs his own business and is registered as a physical trader in the Albanian Court and the Albanian Tax organs.

2.2. Subjects that pay direct taxes on business

➤ **Tax on Profit**

As we pointed out, all taxpayers registered in tax organs, whose annual circulation exceeds the VAT registration threshold are subject to the tax on profit. This category of taxpayers includes:

- Legal entities created according to the Law “ On trade companies” and that are registered to the VAT;

- Legal entities established on the basis of Civil Code which have profit activities in the territory of the Republic of Albania;
- All other legal entities established or recognized as such by special laws;
- Partnerships as defined by law;
- Legal entities, partnerships or all other groupings of persons established or organized on the basis of a foreign law and exercising their activity in the territory of the Republic of Albania through a permanent headquarter.
- Every other person regardless of their legal registration form, including traders, who are not subject to simplified tax on profits, but who are otherwise registered as Value Added Tax subjects.

➤ **Simplified tax on profits**

The simplified tax on profits applies to all taxpayers who are not registered, or bound by law to register as taxpayers for Value Added Tax.

➤ **Local tax on small business**

Subject to local tax on small business is every person who runs a business in the territory under the jurisdiction of a local government entity in the Republic of Albania at any given time of a calendar year and who is not subject to Value Added Tax.

2.3 Registration

1. All taxpayers are registered once, in the moment they begin their economic activity, before starting their business. Taxpayers of local tax on small business and/or of simplified tariff on earnings are excluded from this rule in the year 2005. These taxpayers must re-register within the 20-th of March. If the taxpayers are not registered or re-registered in the right time the tax authorities do their registration. This registration has the same effects as if the taxpayers would have done the registration their self.
2. From January 1st, 2006, the local tax on small business, the registration for the first time of the taxpayers is done after they are furnished from the local authorities with the License for Activity Exercise.

In the law No.8438, Dated 28.12.1998 “On the tariff of incomes” and in the law No.8978, Dated. 12.12.2002 “On local tax on small business” it was defined that all the subjects that paid these taxes would re-register every year near the tax authorities. With the 2005 Fiscal Package, these subjects are obliged to register only once in the beginning of their activity.

2.4 Direct tax levels on business

1. Tax level on profit for the fiscal year that begins in January 1-rst 2005 – December 31-rst 2005 is 23%, and 20%⁶ for the coming years.
2. Simplified tax on profit is 3% of the taxpayer gross incomes. For the tax basis on which this tax is calculated, no discounting expense is recognized⁷.
3. The local tax on small business is a fixed, annual and mandatory quota. Every business, whenever it is located, is taxed separately. Categories and their respective tax levels are given

⁶ 2005 Fiscal Package, and respectively the law No.9326, Date 06.12.2004, “For some amendments and changes in the law No. 8483, Date. 24.12.1998 “On Tariff on Incomes”, predicts a reduce of tax level by 5%

⁷ 2005 Fiscal Package, and respectively the law No. 9326, Date 06.12.2004, “For some amendments and changes in the law No. 8483, Date 24.12.1998, “On Tariff on Incomes” predicts a reduce of the simplified tariff on profit by 1%.

in the following table. The Municipality Council or the Communal Council of the territory where the business is located may increase or decrease the indicator level value by no more than 30%. Each increase or decrease equally applies to all business categories.

Indicator levels of local tax on small businesses (in ‘000 Lek)

No.	Type of Business	Cat. I	Cat. II	Cat. III
A	Retail sale	60	20	15
B	Wholesale	60	20	15
C	Production	35	15	10
Ç	Services	20	10	10
D	Freelances	45	30	15
DH	Ambulant vendors in the area of trade and services	15	10	10
E	Transport:			
	1. Passenger transport:			
	Vehicles up to 5 seats (including driver)		35	
	Vehicles from 6 to 9 seats (including driver)		70	
	Vehicles with 10 to 25 seats (including driver)		80	
	Vehicles with 26 up to 42 seats (including driver)		90	
	Vehicles with over 42 seats (including driver)		95	
	2. Freight transport:			
	Vehicles up to 2 tons		55	
	Vehicles from 2,1 to 5 tons		80	
	Vehicles from 5,1 to 10 tons		95	
	Vehicles from 10,1 to 16 tons		100	
	Vehicles with over 16 tons		150	
	3. Water transport			
	Transport by sea within the country		110	
	Transport by lake within the country		95	
	Cruise ships/boats		30	
	Under category I: Municipality of Tirana, and Durrësi			
	Under category II: Municipalities: Shkodra, Korça, Vlora, Saranda, Gjirokastra, Elbasani, Fieri, Lushnja, Pogradeci, Berati, Lezha and Kavaja			
	Under category III: All the other Municipalities			
	Indicator tax level in communes is 50% for each category.			

2.5. Tax Exemption

➤ *The following are exempted from tax on profit⁸:*

- Units/institutions of central and local government;
- Bank of Albania.

⁸ Letters “g” and “h” are part of the exclusions from the tax on profit in the 2005 Fiscal Package according to the law No. 9326, Dated. 06.12.2004 “For some Changes and Amendments in the law No. 8583, Dated.28.12.1998 “On Tax on Incomes”.

- c) Legal entities which exercise activities of a religious, humanitarian, charity, scientific or educational character, whose wealth or profits are not used for profits by its leaders or members.
- d) Labor organizations (unions, confederates) chamber of commerce, industry or agriculture, and any other organization similar in function, which do not have profit purposes.
- e) International organizations and their representations in the Republic of Albania, agencies of technical cooperation and their representatives, who are acknowledged as such by the Albanian State on the basis of legal provisions, whose tax exemption has been envisaged by special agreements.
- f) Persons envisaged in international agreements ratified by the People's Assembly.
- g) Foundations and financial non-banking institutions founded or delegated with a decision of Council of Ministers, whose main objective have the support of government development politics through crediting.
- h) Picture studios, licensed and subsided from the National Center of Cinematography.

➤ ***The following are exempted from simplified tax on profits:***

- Ambulant vendors.
- Persons exercising individual transport.
- Individuals that gather waste of metals, glasses, paper and individuals who gather herbs and spices, etc.
- Individuals that produce fire wood, mountain stones, etc,

The new law No. 9326, Date 06.12.2004 "For some amendments and changes in the law "On tariff on incomes", predicts that all subjects that have an annual turnover less than 3 million Leks are no longer excluded from the simplified tax on profit.

2.6. Establishing the taxable profit

➤ ***For taxpayers of the tax on profits:***

The financial balance sheet and its annexes will provide the basis to establish the taxable profit for a certain tax period. The financial balance sheet must comply with law no. 7661, of 19.1.1993 "On Accounting" valuable till January 1-rst, 2006, with the provisions of law no. 8438, of 28.12.1998 "On Income Tax" as well as other sub-legal acts issued by the Minister of Finance for purpose of calculating the taxable profit. After January 1-rst, 2006, will come into act the law No.9228, date, 29.04.2004, "On accounting and Financial Declarations". In principle, the taxable profit or net income, is the difference between total incomes (incomes from normal activity and extraordinary incomes), including the value of profits and advantages in nature, with effective and recognized expenditures, for the purpose of income realization and protection. Under recognized expenditures fall all those expenditures made for business purposes, that is, expenditures that intend to realize and secure incomes. In order to be recognized or deductible expenditures should meet these conditions:

- a. They must be made to the direct benefit of the economic activity out of which incomes are achieved or to have been related to the normal course of the taxpayer's activity.
- b. They must be effectively made or faced and based on legally recognized justifying documents.
- c. They must be reflected by an accounting action, reducing the net active.
- d. In any case the taxpayer must evidence expenditures with relevant legal documentation

➤ ***For taxpayers of Simplified Tax on Profits***

This category of taxpayers it is taxed for the gross incomes. So, every taxpayer must declare before 31-th of March of every year his gross incomes, for all his businesses that are objects of the Simplified Tax on Profit.

The taxpayer is obligated hold the books of purchase and sell, where the every day sales and buys are registered. These books are kept for every location of the activity.

2.7. Special provisions for Tax on Profits

2.7.1. Amortization

Amortization of assets is one of the major items of recognized, deductible business expenses.

Amortization of business assets is calculated by:

- Owner of assets
- Person who runs the risk, in the case of rented assets (usually long-term), with loans or leasing contracts;

Such assets as land, building grounds, works of art, artifacts, jewellery, precious metals or stones are not amortized.

The following are individually amortized and in a linear manner:

- a. Purchase or construction costs; building improvement, renovation and reconstruction costs, as well as costs of machineries and equipment with a utilization lifetime of above 20 years. The amortization norm of these assets is 5%. Similar amortization applies to water pipelines, oil pipelines, gas pipelines, the higher voltage transmission lines, and other similar assets;
- b. All the following business assets such as patents, trademarks, expenses for starting a business, “the good name” in cases when the latter is purchased etc. are amortized by a 10% permissible norm for fiscal effects.

The calculation basis for the amortization of both “a” and “b” categories of the above-mentioned activities is the initial value of the asset (historical cost) to which are added the asset’s improvement, renovations and restructuring costs.

The following are amortized on a group basis:

- a. Computers, information systems, computer programs and all data protection software and equipment. The amortization norm on this asset category is 25%.
- b. All other assets which are not grouped under the above-mentioned “a”, “b” and “c”, such as production and service machineries and equipments, all means of transportation, are amortized with a permissible norm for fiscal effect at 10%.

The calculation basis for the amortization of categories “c” and “d” of above-mentioned assets is the remaining accounting value of the asset group (the initial value minus amortization), to which are added the improvement, renovation and reconstruction costs of group assets and from which the incomes from sales and compensations received are deduced.

2.7.2. Bad debts

“Bad debt” implies a payment request (debt obligation), which becomes an obligation that can be totally or partially unpaid because of the debtor’s bad financial situation, his placement in bankruptcy or because of any other reasons not depending on the creditor.

A bad debt must meet the following conditions in order to be recognized as such during the activity year, i.e. to reduce the taxable profit:

- The total sum of this debt must be included previously in the taxpayer's incomes.
- All necessary legal efforts must have been made for its payment;
- When this debt has been deleted from accounting books;

2.7.3. Participations that are exempted from tax on profits

In order to avoid double tax, dividends and profit-shares gained by companies and Albanian resident partnerships (beneficiaries) are exempted from tax on profits, provided that these dividends be paid by an Albanian resident tax company or the profit be shared by an Albanian resident tax company (i.e. these dividends or profit-shares are distributed after tax on profits in Albania has been paid) and the beneficiaries of dividends or distributed profit should possess no less than 25% of the stock or capital of the company or partnership making the distribution.

Hence, dividends and profit-shares made by a company or partnership (i.e. beneficiaries) are exempted from the tax on profits, when all three following conditions are met:

- The beneficiary is an Albanian tax resident;
- The payer (company or partnership making the distribution of dividends is an Albanian tax resident;
- The beneficiary owns no less than 25% of the payer's stock capital, right to vote, or initial capital (in the case of partnerships).

2.7.4. Recapturing losses

If taxable profit in a certain tax period turns out as negative, that is if expenses are bigger than incomes, the resulting losses may be covered by the profits of three consecutive years.

If a loss is not recaptured for three consecutive years in a row (and the entity results in losses again), it cannot be extended farther and thus affecting the results of other years, prior to the application of tax on profit.

The law prohibits the transfer of company loss, because allowing carriage of losses should be linked only with the taxpayer who suffers the loss. That is, if during a tax period the direct and /or indirect property of the core capital, or the rights to vote of a person changes by more than 25% in value or number, the right of loss transfer for that tax period and the preceding periods is lost.

2.7.5 Crediting foreign tax

Crediting foreign tax has to do with crediting and recognition of taxes that taxpayers residing in the Republic of Albania have paid in other countries (outside the territory of the Republic of Albania) on profits that they have made in those countries. But this reduction or recognition cannot exceed the Albanian tax level to be applied on those incomes if they had been made within the territory of the Republic of Albania.

2.8. Tax payment and its final calculation

➤ *Tax on profits*

During the activity year the tax on profits is paid by the taxpayer one month in advance. To determine the monthly payment amount of tax on profit the law has foreseen a formula, which takes into account the tax on profit the taxpayer has paid in the last two preceding years.

During the coming tax period, the taxpayer pays the respective monthly tax on profit to the tax organ accounts no later than the 15th of each month, accounting for the next month, according to the calculation formula described above.

The final calculation of the tax on profits is based on the factual data included in the tax declaration (Annex A) and other supporting documents, such as the balance sheet and its annexes, data from tax controls, as well as any other legal document that helps to determine the tax obligation.

If the tax declared on the basis of the annual income declaration is far bigger than the advance payments made during the year, the taxpayer is obliged to pay the difference at the moment he presents the declaration. If the advance payment amounts turn out to be far bigger than those declared in the annual income declaration, or those resulting from a tax control, the tax organs are obliged to recognize these sums for overdue payment of tax obligations or for the payment of future obligations, including the advance payment amount for the coming periods. Upon taxpayer's request, these sums could be returned to him within 60 days after receiving the tax declaration.

➤ *Simplified tax on profits*

Taxpayers pay the rate of their annual obligation considering the estimation of the flows for the calendarian year. These rates are paid as follows:

Not later than 20-th of April, 20-th of July and 20-th of October, respectively in the first, second and the third quarter of the year

Not later than the 20-th of December for the fourth quarter of the respective year.

Possible differences that are related with the changes of the turnover, are declared and paid in the moment of presentation of the tax declaration that cannot be submitted later 31-th of March of the coming year.

When a business starts during a taxable period, the calculation of rates is based in the estimated circulation according to the predicts that are made by the taxpayer and the estimations done by the tax authorities. The payment is done according to the deadlines specified above.

When a business delivers e declaration for the close down of its activity, the payment of the tax is done not later than 10 days from the day of declaration delivery.

The gathered taxes are shell out in the state budget and are transferred to the municipalities or communes' budget, once a month, where the taxpayer is registered or has his activity going.

Law No. 9326, Date 06.12.2004, "For some amendments and changes in the law "Tariff on Incomes", changed, predicts the payment of this tariff in four rates than two that were predicted in the old law. The new law approved with the new 2005 Fiscal Package does not put any limitation in the sum of payment. In case that the activity closes down, the taxpayer must pay the debt 5 days earlier than the deadline specified by the law.

➤ *Local tax on small business*

Local tax on small business is paid in two equal rates. The first rate has to be paid within the 30-th of April and the one not later than the 20-th October of the respective year. The place and the way of tax payment it is defined with a special instruction.

If a taxpayer begins its commercial activity during the year, the taxes are paid for effective working months according to the Instruction of the Minister of Finances.

The law predicts the reduce of the tax level, if the taxpayers pay their obligation, before the deadlines stated below:

1. If the taxpayer pays the whole sum of his annual obligation within the 1-rst of February, the sum that has to be paid is reduced by 5%
2. If the taxpayer pays the whole sum of his annual obligation within the 1-rst of March, the sum that has to be paid is reduced by 3%

If the information given from the taxpayer is incorrect and if the fixed sum to be paid is more than the one paid, the authorities must notify the taxpayer. The taxpayer must pay his tax obligation within 15 days from the day that he was noticed. In the same way, if a business shuts down and the value of the tax obligation is lower than the value paid than the tax authorities must reimburse the difference within 30 days from the day the business shuts down.

The new law No. 9327, Date 06.12.2004, “For some changes and amendments in the law No.8978, Date 12.12.2002 “On local tax on small business” predicts a delay of the deadlines for the payment of the rates of this tax.

The old law predicted the reduction of the annual obligation, in different levels from the ones presented above; this reduction was related with the ending of the re-registration process and the gaining of the registration certificate from the taxpayers. With coming into act of the law No. 9327, Date. 06.12.2004, approved with the 2005 Fiscal Package, we see a unification in the reduction of the sum of annual obligation, based only in the above mentioned deadlines.

2.9. Record Keeping

For the purpose of determining the tax calculation basis, the registered taxpayers should keep the required legal records and documentation. Models of the basic documents that are used for the calculation of the tariffs are given in Annex B

➤ *Taxpayers of tax on profit*

This taxpayer category is taxed on net incomes (that is on net profit). To this effect, they should keep accounting records, issue the balance sheet with its annexes, which should comply with the law “On accounting” and the provisions of the law “On incomes tax”.

Being subject to VAT, these taxpayers are obliged to abide by the rules of the law “On Value Added Tax” related to the tax bill and its use.

➤ *Taxpayers of simplified tax on profit*

This taxpayer category is not obliged to keep accounting records and issue the balance sheet, since the tax object is not the net profit, but the realized turnover (gross incomes).

The taxpayer should keep a series of records and documentation regarding the activity. The taxpayer should keep the following records and documents:

- Purchase documents, which include the VAT bills, simple bills, and tax bills, as evidence of the purchases made;
- Sales documents, simple tax bills, tax bills, and daily summaries of registering cash box (for sales from cash boxes).
- Purchase book and sales book.

Small business taxpayers are obliged to issue the following documents for each sale of goods or services made:

- Tax coupon in cases when the taxpayer is equipped with a registering cash box. This coupon is given to the buyer for each sale made.
- Tax bill when the taxpayer is not equipped with a registering cash box;
- A simple tax bill issued only by taxpayers selling goods or services to clients who are not the final consumers of those goods or services but purchase them for the purpose of processing or re-sale, i.e. they are registered tax entities.
- At the end of each day's work, the taxpayer should record in the purchase book the total of purchases made during that day, as well as other expenses made, such as rent, electricity, salary payment, etc.
- At the end of each day's work, the taxpayer should record in the sales book the total value of sales made by him, respectively grouping them as sales with simple tax bill, sales with cash box (the daily total of cash box) and sales with tax bill.

2.10. Tax on fortune games, casinos and hippodromes

Taxpayers exercising an activity in the realm of fortune games, casinos and hippodromes, like all other taxpayers, are subject to tax legislation provisions. Like all other taxpayers, they pay all taxes and tariffs specified in fiscal laws (such as VAT, tax on profits, various national and local taxes, etc).

Except usual tax and tariffs, every person that benefits from the fortune games and casinos, pays a tariff equal to 20% of the earnings. This tariff is taken from the owner of the game or casino, whom is obliged to shell out within 24 hours near tax authorities.

TAXATION OF INDIVIDUALS

3. ENTITIES

Taxation on personal incomes is calculated on the incomes of individuals.

Taxation on personal incomes applies to any kind of income whatsoever, from any source, made by any individual subject to tax on the basis of law, except incomes, which are explicitly exempted by law.

Resident individuals are subject to personal income tax obligation during the tax period for all sources of their incomes (inside or outside the territory of the Republic of Albania), whereas non-resident individuals are subject to personal income tax only for those incomes generating in within the Republic of Albania.

3.1. Determining taxable incomes

For the purpose of personal income tax, the following income categories are considered as taxable:

- Salaries and other fringe benefits related to existing working relations;
- Incomes deriving from the profit made by a partner or stockholder in a trade company;
- Incomes from bank interest rates or those deriving from investments on papers of worth.
- Incomes that derive from copyright and intellectual property;
- Incomes deriving from loans and rents, except cases when incomes have been made from exercising a trade activity, in the sense of trade legislation;
- Incomes deriving from the transfer of ownership right on real estates;
- Incomes of individuals deriving from fortune games and casinos;
- Incomes made from the difference between the sale price and purchase price of stock owned by a partner or stakeholder and sold to a third party;
- Other incomes, not identified in the forms presented above, and made by resident or non-resident individuals, but with a source in the Republic of Albania.

3.2. Personal incomes exempted from taxation

The following are exempted from tax on personal incomes:

- ♦ Incomes deriving as a result of insurance in the obligatory scheme of social and health insurances, as well economic assistance for individuals without incomes or with low incomes, according as specified by relevant legislation in effect.
- ♦ Scholarships for students and pupils
- ♦ Benefits received in cases of disease or disaster in compliance with the provisions of legislation in effect.
- ♦ Incomes, in the monetary form or not, raised by owners in the form of benefits received by the state when their property is nationalized by the state to the benefit of public interests.
- ♦ Incomes that are exempted from taxes on the basis of international agreements ratified by the People's Assembly of the Republic of Albania.

3.3. Levels of personal income tax

1. Salaries and fringe benefits, in connection with the actual work relations, will be taxed according to the tariffs provided below:

TAXABLE INCOME PER MONTH		PERSONAL INCOME TAX	
over (in leks)	T0 (in leks)	Leks	Percentage
0	14 000		Excluding edge
14 000 +	40 000	0	+ 5 % of the amount over 14 000
40 000 +	90 000	1 300	+ 10 % of the amount over 40 000
90 000 +	200 000	6 300	+ 15 % of the amount over 90 000
200 000 +	500 000	22 800	+ 25 % of the amount over 200 000
500 000 +	More	97 800	+ 30 % of the amount over 500 000

* Changed with the new fiscal package 2005 with the law No. 9326, Dated. 06.12.2004, "For some amendments and changes on the law "On the Income tax".

- Dividends, incomes deriving as partner's incomes, although a single one, interests on loans, deposits or similar contracts, incomes from copyright and intellectual property, rents or incomes from other similar contracts (loan-use) and all other incomes are taxed by 10%.
- Incomes from fortune games are taxed by 20%.
- Tax tariffs for the personal incomes that derive from the passing of the ownership right over buildings (immovable properties) are included below. Based on the new Fiscal Package 2005 this tax will begin from January 1, 2006.

Sale price		Payable tax
Over (leks)	To (leks)	
0	2 000 000	0.5% of the sale price
2 000 000 +	4 000 000	1% of the sale price
4 000 000 +	6 000 000	2% of the sale price
6 000 000 +	Më tepër	3% of the sale price

Law no 9326, dated. 6.12.2004 « On some changes and amendments in the law no.8438, dated. 28.12.1998 «On the income tax », determines the payment of tax for the agricultural land on the level of 0,5 % of the sale price.

3.4. Payment of personal incomes tax

Albanian tax legislation in general foresees the withholding at the source of personal income tax and all kinds of incomes. Each person who makes a payment is obliged to calculate, withhold at the source and transfer to the state budget the personal income tax that regards the payment made by this person for a specific individual.

As far as personal income tax from salaries is concerned, each employer who pays a salary or any fringe benefits is obliged to calculate and withhold at the source the personal income taxes (incomes from employment). This tax withheld by the employer must be transferred to the relevant tax organ no later than the 20th of the month succeeding the payment.

As for other payments related to incomes listed in paragraph "Determining taxable incomes", the payer of incomes withholds the personal income tax at the source, according to the above tariffs, and transfers it to the relevant tax organ no later than the 15th of the month succeeding the payment.

For incomes from fortune games the tax is withheld at the source and is paid within 24 hours from payment.

Real estate is not registered with Real Estate Registration Office, without proof of tax payment by the individual who transfers the property.

For incomes deriving from sources outside Albania and/or paid by persons who cannot withhold the tax at the source to the benefit of Albanian tax offices, the income beneficiary is obliged to declare and to pay to Albanian tax organs a 10% tax on earned incomes.

3.5. Obligation of individuals to declare and pay

Every individual that gets income from any source determined in the point 3.1, for which is not paid the source income tax according to the law No.9326, Dated. 06.12.2004 approved by the New Fiscal Package. Should declare this incomes in the tax authorities not later than January 30 of the next year (*see Annex A*). Taxpayer pays the obligation in the bank according to the document issued by the tax authorities.

Every individual that realizes incomes regardless of the fact that they are taxed or not should present to the tax authorities the tax declaration for the personal incomes realized from every source not later than February 28 of the next year. Obligation to declare is applied according to the following phases:

1. In the first phase for the incomes realized during 2005 and in the following years, owners and administrators of the trade companies, physical persons registered as subjects of the simplified profit tax, directors of the state enterprises and the directors or owners of foundations or nongovernmental organizations should submit the integral declaration.
2. In the second phase, for the incomes realized during the 2005 and in continuance, all the employees that have the status of the civil servants should submit the integral declaration.
3. In the third phase, for the incomes realized during 2007 and in continuance all the employees of the state institutions or private, foundations and the self employed people or the employees in the small business should submit the integral declaration.

The approval of the new Fiscal package 2005 and more precisely of the law mentioned in the first paragraph of this point obligates all the individuals employed in the public or private sector, self employed, directors and business administrators of enterprises, directors of non profit organizations, employers in other state institutions to declare their incomes and their source despite if they are taxed or not according to the law provisions "On the income tax". In the previous law every person whose incomes were object of the tax on the personal income should declare it.

3.6. Withholding tax at the source

3.6.1 Types of incomes, whose tax is withheld at the source and the tax tariffs

All persons resident in the territory of Albania, local and central governments, non-governmental organizations and every subject, known by the legislation, are obliged to withheld the tax at the source at 10% from the gross of the following payments that are rising from a source in the Republic of Albania:

- a) dividends;
- b) profit division;
- c) interests,
- d) payments for the author right and the intellectual property;
- e) payment for technical, management, financial and security services.
- f) Payments for management and participation in the supervisor councils;

- g) Payments for building, installation, fixing and other supervising works that are related with those.;
- h) Payments for rent;
- i) Payments for the exhibitions of actors, musicians or sportsmen including such payments that are done to persons who employ them or who intercede their exhibitions:

The tax withheld in the source for these payments represents the final tax obligation.

It is not withheld a tax at the source for:

- i. Albanian residents persons registered as tax payers of the profit tax and VAT or persons that are registered as tax payers of the local tax and small business tax;
- ii. Dividends and other divisions of profit from companies and other partnerships that: a) are subject of the tax on profit, and b) subject who profits has a package of securities not lower than 25% in the value or in the number of the joint-stock capital or of the right to vote and for the partnerships not lower than 25% of the initial capital;
- iii. Payments to the non-residents persons in relation to the services for the international transport of passengers and goods.

The new fiscal package 2005 and the law No. 9326, Dated. 06.12.2004 determines as taxable dividends with 10%, the profit after paying tax for those trade companies that haven't deposited near tax authorities within the July 31 the decision of the competent decision making authority for the utilization of dividends or one part of it. The utilization of the profit for the increase of the initial capital or for the statutory or legal reserves and the carriage of profit it is not considered as a delivery of dividend. From the other side, every reduce in capital that has not to do with the coverage of losses and it does not have to do with a money contribution of the owners is considered as a taxable dividend. In this case the tax is withheld in the source and is paid by the company within 30 days to the tax authorities from the date of taking the decision for the reduction of the capital.

VALUE ADDED TAX

4. VAT Object and the tax rate

Value Added Tax is the main tax applied on the consumption of goods and services. VAT is paid:

- For all taxable supplies of goods and services executed upon payment by a taxable person as part of his economic activity in the territory of Albania.
- For all imported goods in the territory of the Republic of Albania.

Value Added Tax in the Republic of Albania is applied at 20%.

4.1. Registration

Every physical or legal entity exercising economic activity, whose turnover exceeds or is expected to exceed 8 million Lek in a calendar year, is obliged to ask for registration.

The term “person” implies any kind of entity exercising economic activity regardless of the legal form of its organization. It also includes institutions, central and local government organs, social and political organizations that perform taxable economic activities.

All other legal and physical entities or any other person, such as individuals, central and local government entities, social, political or international organizations, diplomatic missions, etc. performing import-export activities, are obliged to register regardless of turnover.

Only for goods of personal use individuals can take customs actions without being obliged to register.

4.2. Turnover calculation

The base period to be taken into account in turnover calculation is the calendar year, i.e. the period from January 1st to December 31st. In any case, if during the calendar year, the expected turnover exceeds or is expected to exceed 8 million Leks, the physical or legal person is obliged to ask for registration.

The turnover to be into account is the entire turnover realized by the same person.

The entire turnover includes all supplies made by a person: taxable supplies, exempted supplies and supplies for export. It also includes any other supplies that could be made in the course of a person’s activity, such as aid, subsidies, etc. Turnover is calculated from the total price paid by the buyer. Price also includes taxes, fines and any other obligation.

All sales of sustainable assets by the taxable person, such as buildings, machinery and equipment are excluded. These sales are not taken into account when the entire turnover is calculated.

If a person has several activities in the same or different places, the turnover for determining the registration limit includes the turnover from all activities, in all the places it is exercised, regardless of the name of branches or their legal forms. It’s the person and not the economic activity to be registered for VAT and any registration covers all activities of the registered person.

4.3. Self-supplies

If, for the purposes of his own economic activity, a taxable person uses goods produced by himself, he is treated:

- As if he supplies (sells) these goods as part of this taxable activity;

- As if he is supplied with (buys) these goods for the purpose of exercising his taxable economic activity.

The condition of self-supply is: goods manufactured by the taxpayer must to be used by him for purposes of taxable supplies to be made (he must have the right to credit). In such an instance the taxable person issues a sales tax bill for himself, which implies that he is both a buyer and a seller.

4.4. Moment of supply

Supply is considered complete at the moment it is mandatory to issue the sales bill. The person performing a taxable supply is obliged to issue a sales bill for that supply at the moment when goods are delivered for sale or when they become available, or when services are provided by him with regard to that supply. In all cases when the taxable person makes the payment before goods are delivered or made available, or before services are provided, he is obliged to issue a sales bill for that supply at the moment that payment is made by him.

When two or more payments are done for the supplies than every payment is considered for an individual supply for the amount of that payment. Frequent supply of services is done in any case when is issued an invoice.

Law No.9332, Dated. 06.12.2004, “On some changes and amendments in the law No. 7928, Dated. 27.04.1995 “On the Value Added Tax” approved with the 2005 Fiscal Package determines the obligation for paying the VAT also for cases when goods are transferred according to a contract. For goods that are transferred based on a contract which determines the rent or sale with installment, despite from the moment of passing the ownership right, the obligation for paying VAT, is calculated upon the total value of the good and is calculated on the payments of the values of the installments for the good in the disposal of the consumer.

Everything mentioned in the above paragraph it is not foreseen from the previous law.

4.5. Private use of goods

When goods belonging to an economic activity of a taxable person are privately used outside this activity, the supply is taxed (article 18.2). This includes self-produced goods, as well as goods from the inventory or assets of the taxable person’s economic activity.

4.6. Supply Upon Reduced Payment

In the category of supplies upon payment (taxable) fall all cases when goods supplied to a taxable person for the purposes of his own economic activity, are either supplied by him or given for use to third parties upon reduced payment, except cases when goods are only supplied or used as samples.

Supplies upon reduced payment are considered all cases when the supplier does not deposit the payment, such as gifts, goods and services supplied as promotional, or when payment is obviously less than it should have been if the supplier’s goal was to profit from this and other similar supplies. Goods and services supplied under the above circumstances are subject to tax and the their taxable value equals the total payment which should have been made for that supply if the supplier’s goal is to profit from this and similar supplies.

4.7. Taxable and exempted supplies

Law “On Value Added Tax” applies to each supply of goods and services performed by each taxable person, regardless of their legal form of organization and economic activity they perform. At the same time, the law establishes a limited number of exceptions to this tax, as follows.

1. Land and buildings

- a) Supply of land and building site or their rent is exempted supply, except cases when land is used for parking means of transportation and other mobile vehicles.
- b) Supply of constructions is exempted supply until December 31, 2005.
- c) The rent of buildings owned by the state from the central or local bodies.
- d) Supply of buildings and land except the first sale of the new buildings is exempted supply beginning from January 1, 2006 (according to the law No.9332, Dated. 06.12.2004, "On some changes in the law "On VAT" changed and approved with the New Fiscal Package 2005)
- e) The rent of apartments that are taxed with the VAT in the moment of their sale is exempted supply since 1 January 2006.

The article 20 of the law "On VAT" changed that includes the exceptions from VAT for the land and buildings is changed according to the new fiscal package 2005 in regarding to the tax on passing the immovable properties right.

2. Financial services

Financial supplies mentioned above are exempted from VAT:

- a. Giving, negotiating, debt, credit, credit guaranties and every security for the money including their administration;
- b. transactions related to financial accounts, payments, transfers, deposits, checks and the negotiable instruments except collection of debt;
- c. transactions related to the currency, banknote and money that are legal means of payments, except the articles used only for collections;
- d. transactions related to shares, capital assets, bonds and other securities except the services for the supervision;
- e. administration of the investment fond;
- f. transactions according to the contracts for life insurance, including the reinsurance;
- g. transactions related to pensions fund and the obligatory medical insurances.

Yet, if the taxable person performs supervision services, transactions regarding items used for collections or actions that relate to debt collection, he performs taxable supplies.

Taxable supplies are also non-life insurance, with the exception of life insurance. Non-life supplies are all kinds of property insurance, insurance of civil responsibilities, all kinds of vehicle insurances and all the other kinds of non-life insurances.

3. Bank of Albania

Gold supply, banknotes and coins for the Bank of Albania are exempted from VAT.

4. Postal services

Supply of postal stamps for postal service use, supply of fiscal stamps and all other similar stamps are exempted from VAT.

5. Non-profit organizations

For the purpose of Value Added Tax, a non-profit organization is any company, institution, association or organization, which is founded and exercises its own activity in compliance with Law no. 8788 of 07.05.2001 “On non-profit organizations” and:

- Which is not established for profits or incomes to its members; and
- Whose rules do not allow profit or property distribution among its members

Under the non-profit organizations fall all other state-budget institutions, which are subsidized by the government.

Supplies made by non-profit organizations upon reduced payment, are exempted supplies if they are:

- Supply of goods and services for medial or dental treatment;
- Supply of services for the care and protection of children and seniors;
- Supply of educational, cultural and sport services;
- Supply of services from religious and philosophical organizations for the purpose of their spiritual welfare.

6. Diplomats and international organizations

All supplies made to diplomatic missions and their own personnel are exempted from VAT on the basis of reciprocity and the same applies to the international organizations and their own staff on the basis of international agreements.

On the basis of this law, the import of goods for diplomatic missions and their personnel is exempted from VAT. The same applies to the import of goods by international organizations recognized as such by the Albanian state.

7. Hydrocarbon operations

The following are exempted from VAT:

- Supply of services that are conducted by contractors or their sub-contractors, established as such by the National Agency of Hydrocarbons, regarding research and development stages of hydrocarbon operations.
- Supply of imported goods that contractors make for each other or sub-contractors for their contractors.

8. Medical drugs and equipment

Supply of medical drugs, equipment and the supply of package and other materials, which are used for drug confection, are supplies exempted from VAT.

9. Exempted Import Supplies

The following are supplies exempted from VAT:

- a) The final import by a taxable person of all goods when, under all circumstances within the country, their supply is exempted from VAT.
- b) Import of goods under transit regime.
- c) Import of goods, which are declared to be under temporary permit or active processing regime.
- d) Import of goods and services that are related with the search and development phases of the hydrocarbure processes under the work done by the contractors and subcontractors that work for these processes.

- e) Import of bloodstocks granted from different donors.
- f) Import of goods from NATO in the framework of the operations according to the international agreements.
- g) Import of military equipments/materials for the Army Forces granted from the places of the NATO alliance as well as partners.

In the new law No. 9332, Dated. 06.12.2004, “On some changes and amendments on the “VAT law” are amended as separated elements points “f” and “g”, points that are mentioned indirectly in the same article of the previous law for VAT.

4.8. Small importers

Exempt wholesales, the taxable persons, whose turnover does not exceed 8 million Lek for each calendar year, are not obliged to register for VAT. All taxable persons conducting imports and exports and equipped with NIPT for these purposes, but, within the country they declare and pay the local tax on small business and the simplified tax on profits.

4.9. Exports

VAT is applied with 0% for :

- a. Goods that are exported from the territory of the Republic of Albania;
- b. Supplies of the services outside the territory of the Republic of Albania from a taxable person which the place of activity or residency is in Albania.;
- c. Supply of goods and services regarding to the international transport of goods and passengers except to the navy air services in the territory of the Republic of Albania⁹;
- d. Supply of goods and services in regard to the trade or industrial services in the sea.

4.10. Bills, data to be included in a tax bill

Bills are the basic documents for Value Added Tax. They determine the supplier’s tax obligation and the sum of deductible tax, which the buyer registered in VAT is allowed to demand. (see attached model in the Annex B).

A taxable supplier (even if the supply is exempted or with 0%) is obliged to issue an itemized tax bill to the person who receives the supply. The bill should contain:

- a. Ordinal number;
- b. Pre-printed serial number
- c. Date of issue
- d. Name, address, identification number of seller;
- e. Name, address, identification number of buyer when he is:
 - A VAT taxable person and his fiscal code when he is not a VAT taxable person but a taxpayer of the tax on small business;
- f. Name, address and NIPT of transporters, vehicle plate number and time of supply.
- g. Detailed description of goods sold and services provided;
- h. Price per unit without VAT;
- i. Amount of goods sold or volume of services provided;
- j. Total value of transaction without VAT;
- k. VAT sum (if VAT is applied);

⁹ It is amended with the law No. 9332, Dated. 06.12.2004 “for some changes and amendments on the VAT Law” approved with the new fiscal package.

- l. Total value with VAT
- m. Labeling as supply exempted or with 0% (if it is respectively exempted or subject to tax at 0%).

4.11. Bad debt

When the supplier has not fully or partially received a payment for a supply made, we are dealing with a bad debt. In these cases the right to issue a bad debt bill arises:

- a) After the debt becomes a bad debt. This begins 6 months after the tax period during which VAT has been applied.
- b) After the seller has presented all the evidence required by the tax organ, which testify whether he has undertaken all appropriate actions to pay the bad debt.

In the case of a bad debt, the seller should issue a bad debt bill. This bill is issued in the same form as an ordinary bill. It has to show the words “bad debt”, the ordinal number of the first bill to which this debt relates, and to also show that the buyer’s tax credit must decrease. This bill is used by the seller to decrease the VAT obligation, and by the buyer to decrease the VAT credit.

4.12. Keeping Value Added Tax Records

➤ *Purchase book*

Purchase book is obligatory for all the taxable persons. On this book are recorded the bill’s date of issue, ordinal number of bill, serial number printed by the printing-house or by the taxpayer when permissible, data from the import statement, name of buyer and his tax identification number.

➤ *Sales book*

Sales book is obligatory for all taxable persons. On the sales book are recorded the bill’s date of issue, ordinal number of bill, serial number printed by the printing house or by the tax-payer when permissible, and the date and number of the customs statement when goods are exported, name of costumer and his own identification number (if there is one). The total value of the transaction including VAT (if applicable) is also recorded in this book.

4.13. VAT Statement, Declaration and Payment

VAT Declaration is completed in two copies and is submitted by the taxable person to the bank (See Annex A). Tax payment is made with the bank, within 14 days after the completion of the tax period presented in the statement.

4.14. Tax Crediting

Creditable VAT (deductible) is the VAT sum that, a taxable person pays at the moment that he purchases goods or services within the country, as well as the VAT sum that he has paid for the imports made, provided that, these supplies serve only the taxable supplies this taxable person will make.

If the supplies received or the imports made serve the exempted supplies a taxable person can make, the crediting of paid VAT is not allowed for the supplies made to these purposes.

4.14.1. Partial Tax Crediting

If a certain supply of goods or services is partially used for the purpose of taxable supplies already made or to be made and partially for exempted supplies, only a part of tax crediting is allowed.

The calculation of partial crediting is based on the percentage of crediting according to the formula.

$$\text{Percentage of crediting} = \frac{\text{Taxable turnover} + \text{exports}}{\text{Taxable turnover} + \text{exports} + \text{exempted supplies}}$$

4.14.2. Taxable supplies and imports whose crediting are not allowed

Tax crediting is not allowed for:

1. All kinds of expenditures for petroleum except:
 - When the aim of the economic activity is the purchase of petroleum in order to sell it;
 - With an authorization in writing by the General Director of Tax Office, when the petroleum necessary to exercise industrial activity occupies a considerable place in the expenditures made by the taxable person;
2. Expenditures on travel and per diem, hotel accommodation and relaxing activities during the exercise of economic activity.
3. Expenditures on motorcars except:
 - When the aim of the economic activity is the purchase of the motorcars for the purpose of selling them;
 - When the use of cars is the only aim of the economic activity (e.g. renting, taxi service, ambulances).

4.15. Reimbursement

If the person pays the VAT for one taxable period which is bigger than the tax applied for that taxable period, the taxable person has the right to carry the remained sum for the next taxable period.

The person seeks the reimbursement of the VAT when:

- a) Taxable person has carried the sum of VAT for which it should be reimbursed for 3 months in continuance. ⁱ¹⁰;
- b) The reimbursement didn't exceed the sum of 400 000 leks.

4.16. Payable interests

When a taxable person does not pay the full sum of obligatory VAT within the date established by law, he is obliged to pay interests on the VAT overdue sum from the date this payment was due to the date when it is made.

Interest for the not paid VAT in the due date is calculated at 2% for the first month or one unit of it and 1% after the first month based on the sum of the unpaid tax in the date when interest is calculated. Interest is applied automatically and is removed only by law.

Ordinance No. 7, dated 19.01.2005 of the Minister of Finance determines the reduction of the interests for the unpaid VAT in the period determined from 5% (in the first month) and 2 percent (in the next months) to 2% (in the first month) and 1% (in the next months).

¹⁰ Law N0. 9332, Dated. 06.12.2004, "On some changes and amendments in the law "On VAT" has determined a reduction of the period to 3 months. The period in the previous law was 6 months.

EXCISES

5. GENERAL STATEMENTS

Excises represent taxes with relatively high-level tariffs on the consumption of a given category of goods. Usually, excises apply to:

- Products deemed harmful to health;
- Goods that pollute environment, and
- Luxury goods

The juridical relations regarding excises in the Republic of Albania are regulated by the amended law nr. 8976 of 12.12.2002 “On excises”. This law regulates the juridical relations regarding the definition of excises, terms, procedures, rights and obligations, which the subjects of excises are liable to, as well as matters that regard regulations for the collection and administration of incomes by the tax organs for goods, subject to excise.

The main group items, which are taxed by excise in the Republic of Albania, are the following:

- By-products of oil
- Alcoholic beverages
- Tobacco and its by-products
- Coffee
- Fruit juices and refreshments
- Cosmetic, perfume and make-up items.

5.1. Administrative Procedures for Excises

Taxable persons are all persons who possess excise goods and are obliged to pay excise.

Taxable persons also include the tax representative of each person, who imports excise taxable goods, authorized according to regulations.

5.1.1. Obligation to possessing an excise authorization and to ask for approval of tax warehouse

Every person who produces excisable goods in the territory of the Republic of Albania or imports commercial goods subject to excise, for approved processing in an approved tax warehouse, is obliged to possess an authorization issued by tax organs.

Every person, who wants to get the authorization to produce and keep excise goods, must specify:

- The production process he will perform;
- The quantities of the raw material used to produce ready made products subject to excise;
- The losses in production or storage (permissible losses), which will occur in the normal course of economic activity.

Every authorized person, if he seeks to produce or keep excise goods on any territory, building or any other area under tax suspension regime, must first ask the tax organs to approve the use of the territory, building or the other area as a tax warehouse. Approval of a tax warehouse is made annually.

For excise goods requiring a fiscal stamp, the approval of the tax warehouse, in the condition of tax suspension regime, is only made for territories, buildings or other environments, authorized to keep only goods which need to grow older (as is the maturity period for alcohol drinks), goods

which are subject to further processing before they are packed for retail sale, as well as goods produced for export, in quantities authorized by tax organs.

5.1.2. How to Request and Acquire the Excise Authorization and the Tax Warehouse Approval

Each person who asks to be furnished with an excise authorization has to file a request in writing with the tax department where his central office is located.

Every authorized person, who wants to be furnished with a tax warehouse approval, must in any case file a request in writing with the tax department of the district where the tax warehouse for processing and producing excise goods is located.

5.2. List of excisable goods and excise levels

NK code	Description	Tax scale
<i>I</i>	<i>COFFEE</i>	
09 01 11 00 09 01 12 00	Un-toasted coffee decaffeinated or not	40 lek/kg
09 01 21 00 09 01 22 00	Toasted coffee decaffeinated or not	80 lek/kg
09 01 90	Coffee shells Coffee substitutes containing coffee	40 lek/kg
21 01 11 21 01 12	Coffee extracts, essences, concentrates, and by-products (Nescafe etc.)	250 lek/kg
<i>II</i>	<i>FRUIT JUICES, WATER AND REFRESHMENTS*</i>	
20 09	Unfermented fruit and vegetable juices, with no alcohol contents, containing sweeteners or not.	2 lek/liter
22 02	Mineral or sparkling water, with extra sweeteners or flavors, non-alcoholic refreshments, except fruit juices.	2 lek/ liter
<i>III</i>	<i>BEER, WINE, ALCOHOL AND ALCOHOLIC DRINKS</i>	
22 03	Beer made of malts	30 lek/liter
22 04	Sparkling wine and wines, champagne, grape juice	20 lek/liter
22 05	Vermouth and other kinds of wines brewed from plants or flavor substances	20 lek/liter
22 06	Other fermented drinks (example: cider, pear cider, hydromel); mixtures of fermented drinks and non-alcoholic drinks mentioned elsewhere	20 lek/liter
22 07 10 00	Non de-naturalized ethylic alcohol with an 80% or higher alcoholic content per volume**	200 lek/litre
22 07 20 00	De-naturalized ethylic alcohol	0
22 08	Alcoholic drinks with alcoholic force by	130 lek/liter

	volume 12% ***	
22 08	Alcoholic drinks with alcoholic force by volume till 12% ***	30 lek/liter
22 08 20 29	Raki	80 lek/liter
IV	<i>TOBACCO AND ITS BY PRODUCTS</i>	
24 02 10 00	Cigars and cigarillos containing tobacco	2 240 lek/kg
24 02 20	Cigarettes containing tobacco**	25 lek/packet
24 02 90	Cigars, cigarillos and cigarettes with tobacco substitutes	2 240 lek/kg
24 03	Other processed tobacco and tobacco substitutes, homogenized or reconstructed tobacco, and tobacco essence	1 500 lek/kg
V	<i>BY-PRODUCT OF OIL</i>	
27 10 11 41 27 19 11 45 27 10 11 49 27 10 11 51 27 10 11 59	Light oils (benzene and benzyl) Unleaded benzene and benzyl, with lead content below 0,013 gr/liter - Less than 95 octane - 95-98 octane - 98 and more octane Leaded benzene, with lead content above 0,013 gr/liter - Less than 98 octane - 98 and more octane	33 lek/liter 38 lek/liter
27 10 19 11 up to 27 10 19 29 27 10 19 21	Kerosene Jet fuel, type of kerosene	20 lek/liter 0
27 10 19 31 up to 27 10 19 49	Heavy oils (gasoline)***	65 percentage but not more than 27 lek/liter and not less 13 lek/liter
27 10 19 51 up to 27 10 19 69	Heavy oils as combustible fuels (solar)	1 lek/kg
27 10 19 71 up to 27 10 19 99	other oils	40 lek/kg
27 13 11 00 27 13 12 00	Oil ore calcium or not	1 lek/kg
27 13 20 00	Bitumen oil	5 lek/kg
27 13 90	Remnants of oil and bitumen minerals	5 lek/kg
27 14 90 00	The others (bitumen and natural asphalt; asphalt and asphalt rocks)***	5 lek/kg
27 14	Natural bitumen and asphalt, bitumen sand; asphalt and asphalt stones	5 lek/kg
27 15	Bitumen mixtures based on natural asphalt, on oil bitumen, on mineral tar, or on turpentine of mineral tar.	5 lek/kg

29 01	Non-cyclic and cyclic Hydrocarbons including (ethylene, benzyl, xylol)	5 lek/kg
29 02		
VI	<i>COSMETIC ARTICLE, PERFUMES AND BATH LIQUIDS**</i>	
33 03 00 10	Perfumes	60 %
33 03 00 90	Bath salts	60 %
33 07 20 00	Deodorant	60 %

* According to the law No. 9328, Date. 06.12.2004, "On some amendments and changes on the law no.8976, dt.12.12.2002 "On excises" amended, approved with Fiscal Package 2005 these tariffs are reduced.

** According to the law No.9328, Date. 06.12.2004, "On some amendments and changes on the law no. 8976, dt.12.12.2002 "On excises" amended, approved with Fiscal Package 2005 these tariffs are increased.

*** According to the law No.9328, Date. 06.12.2004, "On some amendments and changes on the law no.8976, dt.12.12.2002 "On excises" amended, approved with Fiscal Package 2005 these items have changed in the content and also in the tariff level.

5.3. Exemptions from Excise

Transactions without paying excise are permitted when there is evidence that:

- a) Excise goods are exported;
- b) Excisable goods are placed under customs suspension regime;
- c) Excise goods are imported by diplomatic representatives, accredited in the Republic of Albania;
- d) Excise goods are imported by international organizations, in the context of agreements ratified by the Peoples' Assembly, which explicitly state the exemptions from excise payment;
- e) Excise goods are placed under tax suspension regime.

It is allowed to reimburse the excise paid when there is evidence that:

- Excisable goods are subject of an approved process;
- Excisable goods are exported.

The following goods, which can contain alcohol, are not subject to excise:

- a) Groceries, whose alcohol content does not exceed the quantity of 8,5 liter of pure alcohol for 100 kg of product;
- b) Alcoholic flavors and essences

5.4. Excise Payment, stamps and their use

The excise for goods subject to excise is paid at the time of import or production of excise goods in the territory of Republic of Albania.

The excise stamp implies a ready made unique strip, which contains one or some of the following indicators:

- a) The fact that excise on excise goods has been paid;
- b) The excise tariff already paid
- c) The sum of excise paid
- d) The moment of excise payment;

All goods subject to excise should have an excise stamp stuck on the container or on the packet.

Imported excise goods, which need an excise stamp, should have it by the time of import.

The excise stamp must be stuck in a way that it can be easily torn and rendered unsuitable for reuse once the container or packet is open.

5.5. Excise payment for goods that require stamp

Excise payment for goods requiring excise stamp is done through the purchase of excise stamps to an equal value to the mandatory tax to be paid for the quantity or value of excise goods in a package unit, onto which the stamp must be stuck.

Excise payment for excise goods requiring stamp, is done by purchasing the relevant quantity of excise stamps, before goods are imported or taken out for sale from the territories, buildings, houses or other environments authorized for production.

NATIONAL AND LOCAL TAXES

6. GENERAL REVIEW

In addition to direct and indirect taxes, Albanian tax system also consists of national and local taxes.

National taxes are deposited with the state budget, while local taxes with the budgets of local government units.

6.1. National taxes

Amended Law no. 8977, of 12.12.2002 “On the tax system in the Republic of Albania” defines all types of national taxes, their levels, the agents in charge of tax collection and the exemptions from taxes.

With the entering in force of the law No. 9331, dated 06.12.2004, “On some amendments and changes on the law No.9877, dt.12.12.2002 “On Tax System in Albania”, the following are exempt from national taxes group:

- Annual tax for vehicles tonnage per axis
- Tax on planes’ take off, landing and stay at the airport

As a result, it is eliminated each provision of the respective laws with regard to these taxes. So far, national taxes include:

1. Port taxes

Port taxes are paid by ships, which perform commercial activities every time they touch upon the harbors and ports of the Republic of Albania. By commercial activity of a ship we imply loading and unloading, landing and boarding of passengers

Port taxes in the Republic of Albania (In Euro)		
Types of port taxes	For every net ton of ship register	Total for each ship
<i>I. Tax of ship</i>		
For ships loading and unloading general goods	0,4	
For ships loading and unloading liquid goods	0,6	
For ferryboats RO/RO and passengers	0,35	
For sport ships, yachts		
- Up to 30 TRN		15
- From 31 to 70 TRN		30
<i>II. Lighthouse tax:</i>		
- For ships up to 200 TRN		0,10
- For ships from 201 to 500 TRN		20
- For ships over 501 TRN		50
<i>III. Tax on the formalities conducted by the health units, port and other authorities:</i>		

- For ships up to 200 TRN	0,25
- For ships from 201 to 500 TRN	100
- For ships from 501 to 2000 TRN	180
- For ships from 2001 to 4000 TRN	210
- For ships above 4001 TRN	300

2. *Taxes on consular services*

I. Taxes for issuing visas and traveling documents:	
For issuing the traveling passports	2000 leks
For issuing traveling passports by consular offices	50 EURO
For passport renewal by consular offices	15 EURO
For passage permit	200 leks
Passage permit issued by consular offices	30 EURO
Tax on visa for foreign citizens	Reciprocity
Tax on visa for foreign citizens entering the territory of Republic of Albania with tourist groups through travel agencies, based on reciprocity, but not above 10 EURO.	
Tax on entry into the territory of Republic of Albania for foreign citizens, who don't need a visa, will be based on the principle of reciprocity, but not above 10 EURO.	
Tax of entry by foreign citizens who need a visa and who enter the territory of the Republic of Albania with tourist groups through tourist agencies, reciprocity, not above 10 EURO.	
This tax is not applicable for the period 1 May - 1 November.	
One-day individual tourists and those organized in one-day tourist groups do not pay tax on visas or tax on entry.	
II. Taxes on issuing, certifying and legalizing documents	
Certificate of any kind issued by consular services for Albanian citizens	30 EURO
Certificate of any kind issued by consular services for foreign citizens	Reciprocity
Certificate of any kind issued by the consular services for Albanian citizens	30 EURO
Certificates of any kind issued by the consular services for foreign citizens	Reciprocity
Verification of document by consular services	10 EURO

Legalization of documents for Albanian Citizens from the Ministry for Foreign Affairs	200 leks
Legalization of documents by consular services for Albanian citizens*.	20 EURO
Legalization of documents for foreign citizens	Reciprocity

III. Taxes on issuing and compilation of other notary acts and translation of documents by consular services	
Compilation of declarations, authorizations, testaments, contracts, guarantees, and special procurements by consular services	20 EURO/ page
Certification of duplicates and copies	20 EURO/ page
Translation of documents	10 EURO/ page

* According to the law No. 9331, Dt. 06.12.2004, "On some amendment and changes on the law no.8977, dt.12.12.2002 "On tax system in Albania" amended, approved with Fiscal Package 2005, this tariff has been reduced.

3. *Tax on circulation for foreign motor vehicles*

No.	Type of vehicle	In EURO
1.	For motorcars with fewer than 8+1 seats, including driver's seat, for every day or part of the day	1
2.	For motorcars with 8+1 seats, including driver's seat for each day or a part of the day	2
3.	For passenger busses tax is determined on the basis of reciprocity	
4.	For trucks, trailers and the other vehicles for transporting goods, the tax is determined on the basis of reciprocity.	
5.	In the case of the vehicles which don't have any load (freight) the tax is determined on the basis of reciprocity	

4. *Import Tax on used vehicles*

Type of vehicle	In lek
<i>For vehicles produced as late as 31 December 1995</i>	
For other vehicles carrying no more than 10 persons, vans, and other types of vehicles for carrying goods with a capacity up to 5 tons	80 000
For buses and other types of vehicles for transportation of goods with a capacity above 5 tons	100 000
For road tractors (tugging heads)	40 000
<i>For vehicles produced as of 1 January 1996</i>	
For other vehicles transporting no more than 10 persons, micro-vans,	50 000

vans, and other means for transporting goods with a capacity up to 5 tons	
For buses and other means for transporting goods, with a capacity up to 5 tons	50 000
For road tractors (tugging heads)	30 000

Vehicles import tax is calculated according to the following formula:

$$\text{Fixed Tax} \times \text{Cylinder of engine} \times \text{Usage Coefficient}$$

Fixed Tax for gasoline vehicles is **20 000 lek** while for petroleum ones is **25 000 lek**.

The cylinder of engine is the volume of the place of engine combustion in cm³

Usage time refers to the difference between the years in which the vehicle entered Albanian custom with the production year.

The coefficient of usage time is in the following table:

Usage time	Coefficient
Up to 2 years from the production date	0.001
From 2 to 4 years from the production date	0.0015
From 4 to 7 years from the production date	0.0018
From 7 to 10 years from	0.002
Over 10 years from the production date	0.003

New law No. 9331, dated 06.12.2004, "On some amendments and changes on the law no.8977, dated 12.12.2002 "On tax system in Albania" amended, determines the application of this tax only based on the above mentioned formula and not as a fixed one. Usage time plays an important role on the calculation of this tax.

Customs offices serve as agents for the collection of vehicles import tax. Such a tax is paid by the importer of the vehicle at the time of passing the border. Agents of custom offices calculate this tax based on the above table and formula.

5. *Taxes for supplying a driving license to drive vehicles*

Category	In lek
For driving license of category A	3 000
For driving license of category B	4 500
For driving license of category C	2 000
For driving license of category D	3 000
For driving license of categories BE, CE and DE	3 000

6. *Tax for using radio-television devices*

For each user	In lek
For radio phonic receptive devices	100
For TV receptive devices	400

This tax is calculated and is paid by the family users only for one radio-TV receptive device, regardless of the number used by the family. For the other non –family users this tax is paid for each receptive device.

7. *Taxes for using telephone lines*

- ♦ For fixed-line telephony each user pays up to 200 lek a year
- ♦ For contracted mobile telephony each user pays up to 400 lek a year
- ♦ For prepaid card mobile telephony each user pays up to 700 lek, only at the moment the number is sold.

8. *Taxes for actions and services by the administrations*

For services by judicial administration and attorney's office	In lek	In %
For registering private, legal and physical entities (Albanian citizens)	1 000	
For registering private legal and physical entities (foreign citizens)	4 500	
For issuing a certificate that the person has no legal barriers for being equipped with a passport for abroad	100	
For the court to issue any copy of ruling or document as requested by the interested person	100	
For issuing penalty certificate by offices of the judicial status	100	
For legalizing notary acts from the Ministry of Justice	100	
Indictment requests submitted to the court		
For subsistence retirement	-	
For verification of facts	100	
Indictment for marriage break-up	1 500	
Indictment for invalidity of juridical actions	1 500	
Indictment derived from contractual agreements and from inflicting damage:		
Worth up to 100 000 lek	1 500	
Worth up to 100 000 lek		1%
Indictment on division of wealth.	1 500	
Indictment for the right to return to work	-	
For actions that are carried out by the court executor	in lek	In %
For executing rulings and titles with an invaluable object	750	
For executing rulings and other titles with valuable object		

Against citizens	3
Against legal persons	7
For notices and other actions of the court executioner	100
For issuance by the court executioner of every act or document as requested by the interested person	100
For executing rulings with a subsistence retirement objective	-

Taxes for actions performed by notary offices	In lek
Compiling testaments through notary acts	450
Compiling oleograph testaments (certifying signatures)	200
Procures (editing):	
General	150
Special	150
For issuance of copies, abridgement and parts of acts filed with the notary office	150
Certificates that copies or minutes of documents are identical to the original	150
Translation certificate and certifying translation with the original	100
Contracts for transferring movable property ownership	700
Contracts for transferring real estate ownership	1 000
Re-editing of various notary acts	150
Notices and notary reminders or other extra legal acts	150
Legalization of citizens' signature in various acts	100
Depositing the fundamental capital in founding an association on the basis of law 7638, dated 19.11.1992 «On Commercial Companies»	300
Acceptance of custody in notary offices for documents of physical and legal persons	300
Certificate of a person's being and his residence in a certain place	150
Other notary actions	100

For actions performed in the real estate registration office	In lek
Request for registration of real estate ownership	300
Request to register the division, sharing or joining of real estate	300

Request to prepare documents for the court or any other administrative unit	150
Request to register for property, rent or sublease transfer	300
Request for legal mortgage registration	150
Request to register for inclusion of legal mortgage registration	150
Request to register for inclusion of a court ruling or administrative act	150
Request for servitude registration, limiting agreement	150
Request to register for canceling servitude, limiting agreement	150
Registration of requests to give up ownership rights on inherited real estate	100
Registration of requests to gain ownership right on inherited real estate	300
Request for registration of legal actions on real estate by legal and physical persons residing overseas.	300
For issuing certificates on wealth	100
For issuing separate copies of certificates on wealth.	50
For issuing separate acts for mortgage action to the interested parties	50

9. *Enrolment Tax in higher education*

This tax is equal to 200 leks for every school year.

10. *Tax on radio communication services*

Part A: **Tax on private radio communication services.**

I. Aeronautic service	Lek per year
Base station on land	10 000
Mobile station on land	7 500
Portable station on land	5 000
Satellite terminal on plane	40 000
Radars and aeronautic radio navigation equipment (For each unit)	3 000
Plane stations with lifting capacity:	
Up to 3 200 kg	5 000
Above 3 200 up to 14 000 kg	40 000
Above 14 000 kg	80 000

II. Naval service	
Coastal station	10 000 lek per year for each station
Radars and radio navigation equipment	2 500 lek per year for each station
Radio for port operations	1 500 lek per year for each radio
Base station onboard ships (HF, VHF, UHF)	5 000 lek per year for each radio
Portable station (VHF) onboard ships	500 lek per year
Satellite Terminal onboard ships INMARSAT	3 000 lek per year

III. Satellite service	
<i>Fixed land station:</i>	
Analog with band range up to 100 kHz	150 000 lek per year
With band range above 100 up to 1MHz	500 000 lek per year
With band range above 1 MHz	1200 000 lek per year
<i>Digital, capacity:</i>	
Up to 64 kbps	25 000 lek per year
Up to 2 Mb/s	75 000 lek per year
Above 2 Mb/s up to 8 Mb/s	300 000 lek per year
Above 8 Mb/s	700 000 lek per year
Land station, transportable (on vehicles)	800 000 lek per year
Portable Station VSAT (in bag, suitcase)	30 000 lek per year
Transportable Land Station SNG up to one month stay in our country	60 000 lek per year
Portable Station VSAT (in bag, suitcase) up to six months stay in our country	15 000 lek per year

IV. Mobile service on land		
1. Mobile service (PMR), from 146 MHz to 470 MHz		
A. Duplex and semi duplex systems up 12,5 KHz channel range		
Service Area	Connection between two repeaters	Connection of fixed station with mobile station and/or connection of a mobile station with another mobile station
Up to 15 km	15 000 lek per year	10 000 lek per year
From 15 up to		

40 km	25 000 lek per year	20 000 lek per year
From 40 up to 80 km	55 000 lek per year	40 000 lek per year
Above 80 km	80 000 lek per year	65 000 lek per year
This tax level is applicable for systems having up to 10 mobile stations		
B. The following taxes are applicable for systems similar to those in 1.A, but with a bigger number of mobile stations:		
<ul style="list-style-type: none"> - For systems with 11 to 25 stations, the respective tax in 1.A increases by the same value with a 0.8 reduction coefficient. - For systems with 26 to 40 stations, the tax in 1.A with a 0.6 reduction coefficient is added to the above tax - For systems having more than 40 stations the tax in 1.A with a 0.4 reduction coefficient is added to the above tax 		
C. For systems of 25 kHz channel range the tax calculated as in 1.A and 1.B is multiplied by a 1.5 reduction coefficient		
D. For simplex systems are applicable the respective taxes in 1.A and 1.B with a 0.5 reduction		
2. National “trunk” system		
100 000 lek per year for each channel of 12,5 kHz range		
150 000 lek per year for each channel of 25 kHz range		
3. Regional “trunk” system		
30 000 lek per year for each channel of 12,5 kHz range		
40 000 lek per year for each channel of 25 kHz range		
4. TETRA system		
50 000 lek per year for each channel of 25 kHz for the national system		
20 000 lek per year for each channel of 25 kHz for the regional system		
V. Fixed service for telecommunication operators		
Two-directional connections		
System in band up 80 MHz		
80 000 lek per year for each channel of 3 kHz		
System in band 80 up to 500 MHz		
40 000 lek per year for each channel of 25 kHz		
System in band 500 up to 1000 MHz		
25 000 lek per year for each channel of 200 kHz		
50 000 lek per year for each channel above 200 kHz		
System in band above 1000 MHz		
Analog	For each channel up to 1 MHz range	30 000 lek per year
	For each channel up to 10 MHz range	40 000 lek per year

	For each channel above 10 MHz	60 000 lek per year
Digital	For a capacity up to 128 kb/s	5 000 lek per year
	For a capacity up to 2 Mb/s	20 000 lek per year
	For a capacity up to 8 Mb/s	30 000 lek per year
	For a capacity up to 34 Mb/s	40 000 lek per year
	For a capacity above 34 Mb/s	50 000 lek per year

Note: The term *local* implies territory coverage on a district-level. The term *regional* implies territory coverage of some districts. The term *national* implies coverage of 50% of Albanian territory. For one-directional connections the above tax level is multiplied by a 0.5 coefficient. The term *connection* implies the tract using either a couple of radio frequencies or a single one.

Part B: Taxes on public radio communication services

Type of service	Lek per year
Fixed land service	
<i>For non-exclusive use of frequencies</i>	
Analog system (radio-relay) (For each telephone channel of 3 kHz)	3 000
Digital system (radio-relay) (For each telephone channel of 64 kHz)	1 500
Digital system (radio-relay) (For each link of 2 Mbit/sec)	20 000
Rural telephones radio systems (For each telephone channel)	1 000
Wireless system in 3,5 GHz (for each MHz)	100 000
Wireless system in 10,5 GHz (for each MHz)	60 000
Wireless system above 10,5 GHz (for each MHz)	40 000
<i>For exclusive use of frequencies on a national level</i>	
In UHF band (For each 1 Mhz of band range used)	100 000
In 1-5 Ghz band (For each 1 Mhz of band range used)	60 000
In 5-11Ghz band (For each 1 Mhz of band range used)	40 000
Above 11 Ghz band (For each 1 Mhz of band range used)	20 000

Wireless System in 3,5 GHz (for each MHz)	200 000
Wireless System in 10,5 GHz (for each MHz)	150 000
Wireless System above 10,5 GHz (for each MHz)	100 000
Fixed satellite system	
Analog System	
(For each telephone channel of 3 Khz)	5 000
Digital System	
(For each channel Kb/s)	4 000
Pager service	
Connection between fixed stations (base-repeaters)	
(For each radio beat)	40 000
For each base station	30 000
Public mobile telephone service (GSM, EGSM, DCS 1800, Imt-2000) (for each channel of 200 kHz)	150 000
Internet service	
Satellite system connection	
(For each unit of 64 kb/s)	10 000
Connection radio-relay system	
(For each unit of 64 kb/s)	1 500
Satellite telephone system (GMPCS)	4 000
	EURO

11. Annual taxes on radio-television broadcast services

Type of service	Lek per year
<i>1. For each land analogue television broadcaster or repeater</i>	
a. With radiated power up to 10W	1 500
b. With radiated power up to 100 W	6 000
c. With radiated power up to 1000W	24 000
ç. With radiated power up to 10000W	48 000
d. With radiated power above 10000W	60 000
<i>2. For each FM radio land broadcaster or repeater</i>	
a. With radiated power up to 10W	300

b. With radiated power up to 100 W	1 200
c. With radiated power up to 1000W	4 800
ç. With radiated power up to 10000W	9 600
d. With radiated power above 10000W	12 000
If one of the broadcasters or repeaters in 1.b, 1.c, 1.ç, 1.d, 2b, 2c, 2ç, 2d, covers more than half of the city of Tirana, the tax calculated there, is multiplied by a coefficient of 5.	
If one of the broadcasters or repeaters in 1.b, 1.c, 1.ç, 1.d, 2b, 2c, 2ç, 2d, covers more than half of a city with a population of above 100 000 inhabitants, the tax calculated there, is multiplied by a coefficient of 2	
If one of the broadcasters or repeaters in 1.b, 1.c, 1.ç, 1.d, 2b, 2c, 2ç, 2d, covers more than half of a city with a population from 50 000 up to 100 000 inhabitants, the tax calculated there, is multiplied by a coefficient of 1,5.	
If one of the broadcasters or repeaters in 1.b, 1.c, 1.ç, 1.d, 2b, 2c, 2ç, 2d, covers two or more cities cited in points 3,4,5, the tax calculated there, is multiplied, only once, by the highest coefficient	
For each AM broadcaster 200 000 lek per year.	
Radio and/or television operators re-broadcasting foreign programs through repeaters licensed by NCRT (National Council for Radio and Television) pay only 20% of the taxes specified above.	

12. Tax on plane crossing of state borders of the Republic of Albania is applied:

- For foreign citizens, 10 EURO for each crossing or the counter value of 10 EURO for convertible foreign currencies;
- For Albanian citizens, 1 000 (one thousand) lek for each crossing.

13. Tax on acquiring navigation passport is 750 (seven hundred and fifty) lek per person.

14. Tax on exercising fishing activity

Type of activity	Lek per year
Sea fishing (for one ship)	
Drop net Sea Fishing	
Ship 160-200 HP	40 000
Ship 201-410 HP	50 000
Ship above 410 HP	80 000
Drift net Fishing	
Ship 160-200 HP	20 000
Ship 201-410 HP	30 000
Ship above 410 HP	40 000
Fishing with encirclement	
Ship 80-200 HP	10 000
Ship 201-410 HP	20 000
Ship above 410 HP	30 000
Drop net fishing	
Ship 160-200 HP	40 000
Ship 201-410 HP	60 000
Ship above 410 HP	90 000

Drop net fishing with selected equipment	
Ship 40 - 80 HP	15 000
Ship 81-160 HP	25 000
Ship 161-200 HP	40 000
Ship 201-410 HP	50 000
Ship above 410 HP	80 000
Fishing of bivalve mollusks	60 000
Handicraft fishing with light equipment	
Coastal fishing (for one motor-boat	
Up to 40HP)	7 000
Fishing in sea lagoons	
In lagoon (1 sailing boat)	10 000
In embouchure (1 fisherman)	12 000
Fishing in inland waters	
Active (1 sailing boat)	5 000
In embouchures and dikes (1 fisherman)	8 000
Collection of bivalve mollusks with light equipment for 1 (one) fisherman	20 000
Sea Sport fishing with sailing equipment (for 1 (one) equipment	40 000
Aquaculture	
Cultivation of mussels for one plant	10 000
Plant cultivation of fish at sea, in lakes and reservoirs	1 000
Aquaculture with land plants	10 000
Note: For foreign ships licensed to fish in our territorial waters, the tax on exercising their activity will be twice that applied for Albanian ships. This tax does not apply to ships authorized by the Ministry of Agriculture and Food (Fishing Department) to fish for study and scientific purposes.	

15. Act and stamp tax

Act and stamp tax	In lek
For issuing civil status certificates	50
For issuing domestic use passports	100
For obtaining any issued or lost civil status act and for correcting them	50
For registration of citizenship granting	700
For registration of cession of citizenship	700
For registration of the decision to change name or surname	700
For any marriage	600

16. Tax on planes crossing the territory of the Republic of Albania

This tax is calculated on the basis of unit rate annually established by Euro Control.

17. Tax on mining rent is determined according to law nr. 7796, of 17.02.1994 “Albania’s mining law”.

18. Tax on ownership transfer for movable property (vehicles)

The tax level is 2% of the value of transferred (sold) property.

19. Annual Tax on the circulation of vehicles

With the entering in force of the law No. 9331, dated 06.12.2004, “On some amendments and changes on the law no.8977, dated 12.12.2002 “On the tax system in the Republic of Albania” amended, the tax level is determined as follows:

No	TYPE OF VEHICLE	TAX LEVEL (lek)
1	Cycle motor
2	Motorcars	500
3	Cars: Not more than 4 + 1 seats, gasoline Not more than 4 + 1 seats, petroleum More than 4 + 1 seats, gasoline More than 4 + 1 seats, petroleum	7 000 10 000 25 000 35 000
4	Mixed transport vehicle: Maximum weight less than 3 t. Maximum weight more than 3 t. but less than 3.5 t.	26 000 37 000
5	Trucks: Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t. Maximum weight more than 18 t.	46 000 64 000 92 000
6	Buses: With more 8 + 1 seats but less than 32 + 1 seats With more than 32 + 1 but less than 42 + 1 seats With more 42 + 1 seats and articulated buses	34 000 43 000 53 000
7	Vehicles of special use: Maximum weight up to 3.5 t. Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t.	37 000 46 000 64 000

	Maximum weight more than 18 t.	92 000
8	Vehicles for special transportation; Maximum weight up to 3.5 t. Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t. Maximum weight more than 18 t.	37 000 46 000 66 000 106 000
9	Road tractors (tugging heads)	50 000
10	Auto camp	46 000
11	Trailer: Maximum weight up to 750 kg Maximum weight more than 750 kg but less than 1500 kg Maximum weight more than 1500 kg but less than 7000 kg Maximum weight more than 7000 kg	5 000 8 000 10 000 17 000
12	Semi trailer	36 000
13	Agricultural vehicles: Maximum weight up to 3.5 t. Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t. Maximum weight more than 18 t.	2 000 2 000 2 000 2 000
14	Technological vehicles: Maximum weight up to 3.5 t. Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t. Maximum weight more than 18 t.	20 000 38 000 48 000 54 000
15	Special vehicles: Maximum weight up to 3.5 t. Maximum weight more than 3.5 t. but less than 7.5 t. Maximum weight more than 7.5 t. but less than 18 t. Maximum weight more than 18 t.	37 000 46 000 64 000 92 000

According to the new law in force, General Department of Road Transport Services and the Department of Order and Public Security near the Ministry of Public Order are engaged with the control of the tax payments. The respective authorities collect this tax at the moment of technical control of the vehicle.

20. Tax on carbon (environment tax)

This tax applies to imported or domestic fuels as follows:

- For gasoline.....0.5 lek per litre
- For petrol.....1 lek per litre

21. Tax on plastic packing of liquids (environment tax)

Its level is:

- Two lek per unit for above 1.5 litre capacity packing;
- 1 lek per unit for 1.5 litre or less than 1.5 litre packing.

22. Registration Tax on games of luck, casinos, hippodrome sport races

This tax is determined as follows:

- For arithmetic or sport games of luck, lotteries and electronic games of immediate gain
10 000 000 lek
- For casinos 30 000 000 lek
- For hippodrome sport races 20 000 000 lek

6.2. Local Taxes

6.2.1. Property Taxes

➤ Tax object

All legal or physical persons, whether native or foreign, owning immovable property in the territory of the Republic of Albania and regardless of its utilization level, are subject to immovable property tax, except for cases differently provided for by law.

Immovable property taxes include:

- Tax on buildings
- Tax on farming land

➤ Tax Calculation Basis

The calculation basis for tax on buildings is the building area in square meters or the area of its parts under and on the ground and for every floor. The area owned by the taxpayer is determined on the basis of documents certifying this ownership.

The tax basis for farming land is the farming land area in hectares owned by the taxpayer. The owned area of farming land is determined on the basis of documents certifying this ownership,

➤ Exemptions from immovable property tax

1. Exempt from the tax on buildings are:
 - a. Properties of state or local government entities, which are used for non-profit purposes;
 - b. Residence buildings utilized by tenants upon non-liberalized lease.
 - c. Buildings utilized by religious communities
2. Exempt from this tax is farming land planted with fruit-tree and vine-yard cultures for their first five years from the moment of planting.

➤ Property tax levels

Tax on buildings

The level of tax on buildings is determined in lek per square meter. The tax obligation is calculated by multiplying the tax level with the taxable basis.

For the purpose of taxable basis, the table below illustrates the minimum tax levels per square meter. For each minimum tax category per square meter, the Municipal Council or the Communal Council may adopt subcategories of buildings situated within the territory it covers.

Indicator levels on tax on buildings

Local tax on buildings (lek/m ² per year)			
	Municipalities		
	Zone 1	Zone 2	Zone 3
Minimum building categories			
I. Residence Buildings			
- Built before 1993	15	10	5
- Built during or after 1993	30	12	6
II. Other buildings			
- For trade and services	200	150	100
- Others	50	30	20
Zone 1: Tirana, Durrës.			
Zone 2: Vlorë, Fierë, Sarandë, Pogradeci, Korçë, Elbasan, Berat, Lushnjë, Gjirokastra, Shkodra, Kavajë, Lezhë.			
Zone 3: All other municipalities			

Tax on farming land

The level of this tax is determined in lek per hectare. This tax obligation is calculated by multiplying the tax level with its basis. For each minimum category of farming land, the Municipal Council or the Communal Council may adopt subcategories.

The tax indicator levels for each minimum category of tax basis are given in the table below:

MINIMUM CATEGORIES AND LEVELS OF TAX ON LAND				
Classification according to land category	Classification according to districts			
	Zone 1	Zone 2	Zone 3	Zone 4
I	5 600	4 200	2 800	1 400
II	4 900	3 500	2 100	1 200
III	4 200	2 800	1 400	1 100
IV	3 600	2 300	1 350	1 000
V	3 000	1 900	1 250	900
VI	2 400	1 600	1 200	800
VII-X	1 800	1 400	1 100	700
Zone 1: Tirana, Durrës, Kavajë, Krujë, Lezhë, Lushnjë, Fierë, Vlorë, Sarandë.				

Zone 2: Shkodra, Elbasani, Berati, Korça, Delvina, Kurbini, Peqini, Kuçova.

Zone 3: Gjirokastra, Përmeti, Pogradeci, Librazhdi, Dibra, Mati, Skrapari, Mallakstra, Devolli, Tepelena.

Zone 4: Bulqiza, Hasi, Kukësi, Tropoja, Puka, Mirdita, Malësia e Madhe, Gramshi, Erseka

6.2.2. Other Local taxes

➤ Tax on hotel accommodation

The basis of this tax is the price for one-night accommodation, either per room or per person. The tax level must not exceed 5% of the price.

The tax obligation is calculated by multiplying the tax level with the price per-night and the number of nights spent in the hotel.

The tax obligation belongs to the client accommodated in the hotel, which keeps this obligation on the account of the municipality or commune in whose territory the hotel is situated.

➤ Tax on new buildings' impact on infrastructure

The basis of this tax is the value in lek of the new investment to be made. The classification as new investment and its respective values are determined in accordance with the legislation in force applicable for acquiring construction permission.

The tax level is expressed as a percentage of the investment value and it varies from 1 to 3% of this value, whereas for Tirana municipality it varies from 2 to 4% of the investment value.

The tax payment obligation belongs to the investor. In all cases, this tax income is collected by the body issuing the construction permission and is cashed, in all cases, on the account of the municipality or commune in whose territory the investment will be made.

➤ Tax on transferring ownership right for immovable property

The tax on transferring ownership right for immovable property applies to buildings and all immovable property, at the moment of transferring ownership right on it.

The legal or physical person, who transfers (sells or grants) ownership right on immovable property, pays the tax before registration is completed, in accordance with legal acts in force. Therefore, all trading, legal or physical persons pay this tax. Individuals who transfer (sell or grant) immovable properties do not pay this tax, since, for these transactions, they pay tax on their personal incomes.

The tax basis for transferring ownership right for buildings is the building area of the edifice whose ownership is transferred. The tax level is determined in lek per square meter of the tax basis. The tax obligation is calculated by multiplying the tax level with its basis.

For the purpose of taxable basis, the building categories and respective tariffs are given in the following table:

Levels of tax on transferring ownership for buildings

	Municipalities		
	Zone 1	Zone 2	Zone 3
	Tirana	Vlora	

Building Categories	Durrësi	Fieri Saranda Pogradeci Korça Elbasani Berat Lushnja Gjirokastra Shkodra Kavaja Lezha	All other Municipalities	
	Lek/m ²			
	I. Residence Buildings	1 000	300	100
	II. Other buildings for trade and services	2 000	700	300
	III. Other Buildings	1 500	500	200

Tax indicator levels, given in the table, are valid for municipalities. All communes adopt the tax level established for zone 3 of municipalities.

For other immovable property (land, terrain) the tax basis for transferring ownership right is the value of their sale. The tax level is determined in percentage and the indicator level is 2%. The tax obligation is calculated by multiplying the tax level with its basis.

The immovable property registration office, where this property is registered, collects the tax.

Exempt from payment of the tax on transferring ownership right on immovable properties are:

- The National Residence Entity, National Privatization Agency and local or central government bodies;
- Persons subject to personal income tax, based on law nr. 8438, of 28.12.1998 “On income tax”;
- Subjects granting immovable property when the direct beneficiaries are:
 - State and public, local and central institutions and entities;
 - Religious communities or non-profit organizations when the grant is related to the non-profit part of their activity.

➤ **Annual registration tax on road transportation vehicles**

The basis of this tax is the type of road transportation vehicle.

The tax level is expressed in a quota, which is fixed according to the type of vehicle. The respective categories and levels established according to vehicles are given in the following table:

Nr.	Type of Vehicle	Tax Amount in lek
1.	Motor vehicles	600
2.	Cars with (4 + 1) or fewer seats	2 400
3.	Cars and vans with (8+1) or fewer seats	4 800
4.	Bus with (32 + 1) or fewer seats	6 000
5.	Bus with (42 + 1) or fewer seats	7 200
6.	Bus with more than (42 + 1) seats	8 400
7.	Articulated bus with more than (42 + 1) seats	9 000
8.	Van or vehicle with maximum authorized weight up to 3,5 tons	3 600
9.	Van or vehicle with maximum authorized weight above 3,5 up to or equal to 7,5 tons	4 800
10.	Vehicle with maximum authorized weight above 7,5 up to or equal to 18 tons	6 000
11.	Vehicle with maximum authorized weight above 18 tons	8 000
12.	Vehicles used for construction or farming (road tractors, caterpillars, etc) with maximum authorized weight of less than or equal to 7.5 tons	3 000
13.	Vehicles used for construction or farming (road tractors, caterpillars, auto-cranes, etc) with maximum authorized weight above 7.5 tons	3 600
14.	Trailer with maximum authorized weight less than or equal to 7 tons	3 000
15.	Trailer with maximum authorized weight above 7 tons	4 000

The respective structures in the General Directory of Road Transportation Services are the responsible agents for collecting this tax. This tax is cashed on the account of municipality or commune.

The deadline for vehicle registration and taxpayer's payment of annual obligation is March 31st. After this date, when it notices that this tax has not been paid, the Road Traffic Police applies a fine equal to the tax, and, if the tax and fine are not paid within 10 days, it blocks the vehicle until both tax and fine are paid.

Exempt from paying the annual registration tax are vehicles owned by diplomatic corps and international organizations accredited in the Republic of Albania and enjoying diplomatic status, in compliance with the principle of reciprocity.

➤ **Other taxes**

- Tax on occupying public areas;
- Tax on board.

For these two tax categories, it is up to the Municipal Council or the Communal Council to determine their basis and level.

6.2.3. Provisional local taxes

When they consider necessary, the Municipal Council or the Communal Council may adopt provisional taxes in the general interest of inhabitants in that territory.

ANNEXES

ANNEX 1: Taxpayers' Registration and Deregistration Procedures

When starting a commercial business, every physical or legal person, native or foreign, must first register with the court. Registration with the court is an indispensable condition for obtaining a license to exercise an activity, issued from the Tax and Duty Department of the place in which the activity is exercised, as is the case with every other type of license, permission or authorization issued by other local or central authorities.

1. REGISTRATION WITH THE COURT

In order to have the right to be equipped with a certificate to exercise an activity, all persons are obliged, first of all, to earn a legal personality. The legal personality is only earned after the subject is registered in the commercial register maintained by the District Court of Tirana for the entire territory of the Republic of Albania. Request for registration with the court must be made within 1 month from beginning of activity. Thus, based on Law Nr.7632, of.04.11.1992, "On dispositions regulating the first part of the Commercial Code", within this deadline, all physical or legal persons, Albanian or foreign, opening a branch or a representative office in Albania, are obliged to announce their names and deposit their original signatures with the District Court of Tirana. The registration decision is taken from the judge. The court must respond to registration requests within 1 month. Registration of subjects in the commercial register is only made after respective payments are made.

1.1 Exemptions from obligation to register in the commercial register

Exempt from the obligation to register in the commercial register are all traders, physical persons, whose general turnover during two successive calendar years has not exceeded the ceiling, established with Decision of the Council of Ministers. Also exempt from this obligation are all physical persons, who have just started their enterprising activity and cannot reach this ceiling for the ongoing year or for the following one.

1.2 Registration of commercial companies

Law Nr.7638, of.19.11.1992 "On commercial companies" acknowledges 4 forms of commercial companies, namely: Collective Companies; Commandite Companies; Limited Liability Companies (LLC) and Anonymous Companies (AC). Commercial companies are considered legal persons and are registered as such with the Court.

1.2.1 Registration requirements for companies

All types of companies declare the type, duration, if this is not specified, commercial name, central office, company's object, amount of fundamental capital and the date of signature of the company's statute. When the activities foreseen in the company's object require an official authorization, the registration request is accompanied with a notarized copy of authorization.

⇒ Collective companies

The registration request for a collective company must be made from all company partners. In addition to the above, in the case of collective companies, it is obligatory to declare and register the names, surnames, partners' dates and places of birth and dispositions of the statute specifying the representative competences of administrators.

⇒ Commandite companies

Based on the law "On commercial companies", participation in commandite companies is also possible for "limited partners" (partners responsible for company's debts up to the limit of their

contribution value in the fundamental capital), in addition to “unlimited partners” (partners unlimitedly responsible for company’s debt with). In the case of such companies, the registration request is made from all unlimited partners, but it must also be accompanied, besides the above, with the names, surnames, dates and places of birth of limited partners and the majority of their contribution.

➔ **Limited Liability Companies (LLC)**

LLC are companies founded from one or several partners, which face company losses up to the limit of their contribution value in the fundamental capital. Based on legislation in force, the minimum value of fundamental capital for this type of company is 100.000 lek. This capital is divided in equal shares, whose nominal value must not be smaller than 1.000 lek, otherwise the company must change into another form. In the case of LLC, the registration request is submitted from its administrators, accompanied with names, surnames, dates and places of birth of administrators and the statute dispositions specifying their representation competences. The deposit certificate of funds resulting from settlement of fundamental capital is also attached to these documents.

⇒ **Anonymous companies (AC)**

Anonymous companies are all those companies, whose capital is divided in shares and, which are established from partners facing losses up to the limit of the value of their contribution. These companies are divided into:

- **Anonymous companies with public offer¹¹.** In such case the minimum value of fundamental capital must be 10 million lek.
- **Anonymous companies without public offer.** The minimum value of fundamental capital must be 2 million lek.

For anonymous companies, the registration request is submitted from all members of the company’s directory. Request for registration in the commercial register must be accompanied with the names, surnames, places and dates of birth for directory members as well as with of statute dispositions, specifying the representative competences of directory members. Attached to the request and deposited in the annex of the register are the statute, signatures and appointment act for the directory’s administrators, a list including the names, surnames, dates and places of birth of the supervising council members, and in the case of cross-country contributions, the report on contributions or, if necessary, the partners’ decision to ask the assistance of an expert on contributions. In addition to these, attached to the request is the certificate of the depositor of funds resulting from signature of shares for monetary contribution.

An outline of the principal documentation, which must accompany the request for registration with the court, is given in the table below:

¹¹ Company with public offer are considered the ones, whose shares are officially registered in the stock market, beginning from the registration date, or the ones, which, in order to sell their shares, address the banks, financial institutions, stock brokers, or the publication in different ways and distribution outside environments designed for this purpose. All other anonymous companies are companies without a public offer.

Required documentation for the company's acknowledgement by the court	Specific documentation for commercial register
<ul style="list-style-type: none"> ♦ Act of establishment ♦ Company's statute ♦ Proof of payment for required amount of initial capital in the bank (in cases of immovable property contribution or any other cross-country contribution) and report from accounting expert ♦ Contract of ownership or rent for premises in which the company will perform its activity 	<ul style="list-style-type: none"> ♦ Copy of the court decision for the creation of the company ♦ Company's statute and contract ♦ Contract of ownership or rent for premises in which the company will perform its activity ♦ Proof of payment for registration tax

When the court approves the request, it takes a decision to register the physical or legal person. Below, you will find a model of the decision made by the court. Afterwards, the decision is registered in the commercial register. Tariffs for decision registration in the commercial register are 1200 lek for physical and legal persons, including stamp tax. If the legal person has foreign partners, the registration tariff is 4500 lek.

2. OBTAINING A TAX CERTIFICATE AND NIPT

After registration with the court, the second step to be followed by everyone, who wants to engage in business, i.e. perform any kind of commercial activity, is registration with the tax office for obtaining the tax certificate and the NITP (Number of Identification as Taxable Person). Request for a tax certificate is submitted to the tax departments of the district in which the person has the central office of his/her activity. Based on law Nr.8560 of 22.12.1999, "On tax procedures in the Republic of Albania" the following must be equipped with a tax certificate:

1. Legal or physical persons with an annual turnover bigger than the VAT registration limit, which must submit to the district tax branch:

- Registration request with the respective tax office
- Court decision approving their registration in the commercial register
- Statute and act of establishment
- Agreement with Social Insurances Institute
- Proof of membership in Chamber of Commerce
- Contact information for each taxpayer's representative

Taxpayers registered with VAT, are only registered once a year at the moment they begin their economic activity.

2. Legal or physical persons with an annual turnover smaller than the VAT registration limit (taxpayers of local tax on small business), which must submit to their respective district tax branch:

- Registration request
- Court decision approving their registration
- Contact information on each taxpayer's representative

3. Non-profit organizations, foundations, project implementation units, etc. exercising religious, humanitarian, charity, scientific or educative activity, in spite of the fact that their activity might not be economic or profitable. For fiscal purposes these persons are called passive taxpayers, because they are only obliged to pay income tax. The documentation to be submitted to the respective tax branch in such case is similar to the one to be submitted in point 1. If these legal or physical persons exercise other activities of an economic character, they are, then, obliged to separately register these activities with tax organs.

4. Partnership is a special mode of organization of physical or legal persons who agree to exercise temporarily together business activities. Partnerships are not established as a separate legal person in any of the forms of commercial companies as it is provided in the law “On commercial companies”, Civil Code or/and other separate laws. So far, the establishment of partnerships is not based on a Court Decision or registration decision with the court. For registering a partnership with tax offices, it is not necessary for them to obtain legal personality neither to present to tax authorities the decision of their registration with the court. On the other hand, partnerships are obliged to fulfill with any other requirements with regard to their registration with tax offices as any other taxpayer.

Tax organs must process all requests for tax certificates within **5 days** from receiving the requests.

The documentation submitted for obtaining a license to exercise activity is given below:

Physical persons

- Court decision for registration
- Statement from employment office
- Statement from social assistance office
- Proof of payment for advertisement tax
- Proof of payment for tax on activity
- Proof of payment for tax on rented land
- Proof of payment for tax on cleaning
- Proof of payment for tax on property
- Number of bank account and bank statement
- Hygienic and sanitary permission
- Registration cashbox
- Registration with the office for control of measurement devices (if necessary)

Legal persons

- Company's statute
- Company's establishment act
- Decision of Tirana court for their registration as legal person
- Statement from social assistance office
- Contract with employment office
- Statement from social insurances office
- Registration with the Industrial Chamber of Commerce
- Proof of payment for advertisement tax
- Proof of payment for tax on activity
- Proof of payment for tax on buildings
- Proof of payment for tax on cleaning
- Proof of payment for tax on rented land
- Proof of payment for tax on property
- Number of bank account and bank statement
- Hygienic and sanitary permission
- Registration cashbox

- Registration with the office for control of measurement devices (if necessary)

3. DEREGISTERING OF TAXPAYERS

Deregistering of taxpayers from trade register is based on a Court Decision. All the taxpayers may ask to be deregistered only after they have fulfilled with their obligations with regard to taxes and after they have presented the final balance sheet for their activity. Procedures for deregistering of an activity are given below:

1. Taxpayer presents in the court the request for deregistering from trade register.
2. Court notifies the respective tax office on the request of the taxpayer.
3. Tax offices are obliged to verify fiscal situation of the taxpayer and if necessary to exercise control on taxpayer's activity with 45 days from the date of notification from the court. Such a control aims at verifying the financial statements presented in the final balance sheet.
4. If tax authorities, within 45 days of the notification, oppose deregistration of the taxpayers, the court authorities can not go further with deregistering of the latter. Tax authorities may withdraw their objection once the taxpayer has fulfilled with all tax obligations.
5. If after 45 days from the notification, tax authorities has not opposed the deregistering of the taxpayers, then court organs decide on the deregistering of the latter.

Law No.9333, dated 06.12.2004, "On some amendments and changes on the law no.8560, dated 22.12.1999 "On tax procedures in the Republic of Albania" amended, determines an extension of the permitted period for presenting any objection with regard to the deregistration of the taxpayers from 20 to 45 days.

ANNEX 2: Procedures for Closing and Transforming the Businesses

The legal framework of the procedures for closing and transforming of businesses is as following:

1. Law “On trade companies” No. 7638, dated.19.11.1992
2. Law “On bankruptcy” No. 8901, dated.23.05.2002
3. Law «On trade register», No. 7667, dated. 28.01.1993
4. Code of Civil Procedures

The closing of businesses is done through two ways : a) *bankruptcy* and b) *demolition*.

1. PROCEDURES OF BANKRUPTCY

According to the law « On bankruptcy » the bankruptcy procedures begin when the debtor is valued as unable to pay the obligations in the date of maturations. This includes the *state of insolvency*. In the case of private entities, the overload with debts causes the opening of the bankruptcy procedures.

Bankruptcy procedure aims to pay collectively the obligations of debtor through:

1. Liquidation of his fortune
2. Division of the incomes
3. In the case of an organization plan, through accomplishment of another agreement that aims to protect his activity.

The procedure of bankruptcy is discussed and judged in the trade section of the district court when the debtor has his habitation or residency.

These procedures are open for the fortunes of every physical or legal person as well as for simple companies.

With the opening of the procedures of bankruptcy, the right of debtor for administering and disposing the fortune that corresponds to the scale of bankruptcy passes to the administrator.

1.1. Opening of the bankruptcy procedures.

Bankruptcy procedures begin with the demand of:

1. Debtor which together with the demand should present and:

- a) The list of fortunes and the incomes together with a declaration with the value of each object and the fact if this object is used as a coverage mean;
- b) The list of creditors with names, sum, addresses that compound the obligation towards them;
- c) The statement that verifies that the content of the above mentioned documents is complete and correct.

The non delivery of all the above mentioned documents within 30 days from the moment of presenting the demand for opening the bankruptcy procedures causes the fall/demolition of it.

2. Creditor. The opening of bankruptcy procedures with the demand of the creditor is done only when the court evaluates that the causes are sufficient and persuasive.

In the case of legal persons, the procedures of bankruptcy begin with the demand of:

1. **Tax authorities** in the cases when this person has a balance-sheet with loss for 3 years in continuance.
2. **Every member of supervising authorities, partner or liquidator.** In this case the demand for opening the procedures of bankruptcy should be presented within 21 days from the date when the legal person is in the state of insolvency.

1.2 Evaluation and decision for the opening of procedures for bankruptcy

The evaluation of the case in court is done by the trade section of the district court and should be finished within 60 days starting from the day of the presentation of the demand for opening the procedures of bankruptcy. Within this period of time the district court (trade sections) decides:

- a) The fall of the demand for the lack of legal reasons for opening of procedures.
- b) The fall of the demand for the reasons of insufficiency of the fortune of debtor for covering the expenses of the procedures of bankruptcy;
- c) The admission of demand.

In order to take the decision, the court appoints a specialist as temporary administrator for the debtor that have the duty to verify:

- a) If the reason for opening the procedures is real;
- b) If the fortunes of debtor cover the expenses of procedure;
- c) If is necessary to get measures for the security of the fortune of debtor;
- d) If there is any possibility to continue the activity of the debtor.

If the court decides to open the procedures of bankruptcy than this decision should be announced publicly in the information bodies that are designated for official announcements of the court. The decision was delivered to debtors, creditors and the debtors of creditor and includes:

- a) Name, surname and the inhabitation of the debtor in the case of physical persons or the name, kind of activity and the residency in the case of a legal person ;
- b) Name, surname and the address of the administrator of bankruptcy;
- c) The due time when is open the procedure of bankruptcy;
- d) Other data such as the claims of creditors, data on persons that have obligations toward debtor and the size of these obligations, etc.

1.2.1 The size and the expenses of the procedure of bankruptcy.

The size of bankruptcy includes all the fortunes and the rights of the debtor in the date of the opening of the procedures of bankruptcy as well as the wealth that he gains through the appliance of the procedures of bankruptcy. The objects that are not included in the size of bankruptcy are determined in the provisions of the code of Civil Procedure and corresponds to those that are excluded from the enforced performance.

The size of bankruptcy serves to pay the creditors the claims that they have toward debtor in the opening date of the procedure of bankruptcy. These claims are calculated in accordance with the Law no.8901, dated.23.05.2002 "On bankruptcy".

Expenses of the procedure of bankruptcy are;

- a) Court expenses;
- b) Compensations and the expenses of the administrator of the bankruptcy and the members of the creditors committee.
- c) Administrative expenses such as: obligations that generate as the result of the activity of the administrator, obligations according to the contracts, obligation for restitution of the monetary amounts in the case of the extension of the size of bankruptcy, etc.

1.3 Administration of the size of bankruptcy, the repayment of creditors and the interruption of the procedure.

The administrator of the bankruptcy alone or with the cooperation of the debtor, prepares an inventory of all the fortune that corresponds to the size of bankruptcy determining also their value. The administrator designs the list of all the creditors that includes the address, the reason and the sum of claims for anyone of them.

The repayment of the administrators can begin only after the meeting of the general evaluation. The funds are divided among the creditors in the moment when the size of bankruptcy has the necessary liquidity. Before every delivery, the administrator designs a list of persons that profit from it. This list is deposited in the register of the court and can be reviewed from the interested subjects. The last delivery is done in the moment that the sale of the size of bankruptcy is finished and only with the approval of the trade section of the district court. After the complete delivery, the court decides to close the procedure of bankruptcy. The decision and the reasons are announced publicly.

Procedures of bankruptcy can be interrupted when:

- a) There are lacks of fortunes in the size of bankruptcy.
- b) The reason that brought to the opening of the bankruptcy procedures are eliminated.
- c) Is demanded from the debtor, but with the approval of all the creditors of the bankruptcy.

The decision for the interruption of the procedures in each of the cases mentioned above is announced publicly. The debtor regains the right to dispose freely the fortunes of the bankruptcy size, with the interruption of the procedures.

2. THE ABOLITION AND TRANSFORMATION OF THE TRADE COMPANIES

Law no.7638, dated. 19.11.1992 "On trade companies" determines the procedures and general criteria of the abolition and transformation of the businesses. The same law determines the procedures and criteria for the fusion and the division of the trade companies.

Law "On trade companies" determines the cases of the abolition of the trade companies according to their type:

➤ Collective Companies

These companies are abolished:

1. With the death of one partner but can continue their activity if the following rules didn't interfere with the statute:
 - a) The continuity can be decided with the unanimity of the partners that survive and the successors of the remained partners;
 - b) If the inheritors doesn't want to enter in the company or are unskillful for this especially when one of them is infant, the continuance is decided with the unanimity of the partners remained with the condition that they repurchase the rights on the company included in the heritage of the remained partner.
2. In the cases of bankruptcy, limitation of the rights to exercise a trade profession or disability of one of the partners, if it is not included in the statute or when for its continuance is decided with unanimity of the remained partners.

➤ **Commandite Companies**

1. The commandite companies are abolished in the case of bankruptcy of one of the unlimited partners, in the case of losing rights to exercise a trade profession or inability of one of “unlimited” partners. In the cases when there are one or more unlimited partners, the continuity is decided in the statute or with the unanimity of other partners, after they have decided to repurchase the rights of the disabled partner.
2. The commandite companies can be abolished in the cases of death of one unlimited partner if are fulfilled all the following rules:
 - a) this is the only “unlimited” partner
 - b) all his successors are infant
 - c) when within one year from his death it is not taken the decision for its replacement with another “unlimited” partner.

➤ **Limited Liability Companies (Ltd)**

Limited Liability Companies aren't abolished in the case of bankruptcy or when one of the partners is unable or dies if is not determined otherwise in the statute.

The premature abolishment of the company can be requested in the cases when the capitals of the company (because of losing in the financial documents) are lesser than the half of the initial capital. This is decided by the partners within 4 months from the approval of the accounts that reflect this losing. If the abolishment it is not declared from the required majority for the changes in the statute, the company is obligated to decrease the capital in the value of the losing that have remained uncovered from the reserves of the company.

The transformation of the company is obligatory when the amount of the initial capital is lesser than 100.000 leks (minimum amount of the initial capital for the establishment of an ltd. company, determined in the law “On trade Companies”).

The transformation of the ltd in a collective or Commandite Company is done with the unanimous approval of the partners.

The transformation of the ltd. in a Anonymous company is done with the majority of the votes required for the changes in the statute, only after the ltd. has approved the balance sheet for two years of its activity, accompanied by the report of transformation by one expert.

➤ **Anonymous Companies (Sh.a)**

Anonymous companies are abolished automatically with the ending of the date according to the statute. The abolishment is announced in the extraordinary meeting of the assembly. The anonymous companies can be abolished also when the capitals of the company are reduced in lesser than the half of the initial capital. In such cases, the board is obligated that within 4 months from the approval of the financial balance sheet to call in the meeting the extraordinary assembly and to take the decision if the company should be abolished or not. In any case the abolishment should be declared from the required majority for the changes in the statute. Otherwise, the company is obligated to reduce its capital with an amount not lesser than the losses that have remained not covered from the reserves.

Every anonymous company can be transformed in another form if in the time of transformation:

1. has a minimum of 2 years activity;
2. has prepared and approved from the owners the balance sheet of two recent years.

The decision for transformation is taken based on the expert report for the transformation of the company.

The transformation of the anonymous companies in a collective company is done with the approval of all the partners.

The transformation of an anonymous company in a Commandite company is decided with the majority required for the changes in the statute and with the agreement of all the partners that accept to be “unlimited” partners.

The transformation of an anonymous company in a ltd company is decided in the conditions determined for the changes of the statute.

2.1. The merge and the split of companies

Based on the law “On trade Companies” with their merger one or more companies may pass their heritage to another existing company or to a new established company. Also one company, through the split can pas its heritage to some other existing companies or to some new companies. Both possibilities mentioned above are open also for the companies in the process of liquidation as long as the delivery of their assets between the partners it is not the object of the beginning of execution. In any case the partners of companies that transfer their heritage, profit a part of their initial capital or shares from the acquirer company and according to this case and compensation in money, the amount of each did not exceed 10 % of the nominal amount of the initial capital or to the shares.

The merger or split brings to destruction without the liquidation of the companies that are liquidated and the transfer of the heritage to the acquirer companies. The partners of the destructed companies enjoy this quality and to the acquirer companies according to the conditions determined in the merger or split contract. Companies that participate in merger or split processes, design a project which is deposited in the trade register and is publicized. If the companies that participate in these processes are not in the liquidation process than they present in the trade register a declaration when they report all the acts in the function of the process of merge and split. With this declaration, they verify that the operation is done in accordance with the legal requirements in order.

2.1.1. Development of merge and split procedures.

The merge and split of a trade company is decided by the extraordinary assembly of each company that takes part in this process. There are nominated one or two experts who design a report on the modalities of merge and split of a company. This report is in the disposal of the shareholders and must:

1. Determine the methods followed for the design of the proposed report.
2. Show that these methods are appropriate showing also the value in which brings each of them.
3. Show the particular difficulties of evaluation.

In the cases of merge of the trade companies, the absorber company is fully debtor for the credits of the absorbed company. Also, the companies who acquire contributes that come from the split are fully and solidarity debtor on the creditors of the split company.

2.1.2. Some exclusions from the merge and split procedures.

In the cases of limited liability companies, when the merge is realized through transferring the contributes to a new company with limited liability, this can be established also with other contributes despite those companies that merge. In this case and if the parts of the initial capital of each new companies are given to the partners of the split company proportionally with their parts in the capital of this company the expert report is not needed.

When the split of the company is realized with the transferring of its contributes to new anonymous companies each of new companies can be established with other contribute despite capitals of the company that is split. If the shares of each of the new companies are transferred to the shareholders of the split company proportionally with their parts in the capital of the company, than the experts report is not needed.

4. LIQUIDATION OF THE TRADE COMPANIES

The company is in the process of liquidation since in the moment of its failure for every kind of reasons. The liquidator represents the company. He has all the competencies for the sale of the active and is authorized to pay the creditors and to share the over plus. He can continue the issues or deal with new problems that are related with the liquidation only if it is authorized, case by case by partners or with the decision of the court.

In general, the liquidation of the trade companies is determined with the provisions of the status of the companies. At the end of the liquidation process, he partners are called in order to decide for the final balance sheet, for the act of correctness of the administration from the part of the liquidator and his mandate, as well as to evident the closing of the liquidation. If the assembly of partners can not decide for the accounts or the process of liquidation than this decision is taken by the court based on the request of the liquidator or any other interested person. The final accounts are deposited in the annex of the trade register. These accounts are attached with the decision of partners assembly for these accounts, with the act of correctness administration by the liquidator and the omission of his mandate. Once there are fulfilled all these formalities the company is struck off from the trade register.

In the cases when the statute provisions related to liquidation are missed, than the partners can be share one or more liquidators. So the liquidator can be appointed by the partners if the split up comes after the deadlines determined in the statute or when the split up is decided by them. The liquidator is appointed:

1. In the collective companies with the approval of all the partners.
2. In the commandite companies with the approval of all the unlimited partners and the majority of limited partners regarding to the capital.
3. In the limited liability companies (Ltd.) with the approval of the majority of the partners regarding to their capital.
4. In the anonymous companies in the conditions of the quorum and the majority requested for the meeting of the ordinary assembly.

If the partners can not appoint a liquidator than he is appointed with the decision of the court in accordance with the demand of every interested person. If the split up of the company is decided by the court than the court determines one or more liquidators for that company.